Financial Statements

2014

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Report to Members

The Board presents its report to the members and the audited financial statements of Deloitte LLP (Deloitte), for the year ended 31 May 2014. The financial statements incorporate the consolidated (Group) and separate financial statements of Deloitte (parent) and entities controlled by the parent.

Executive Group

Deloitte's activities are managed by the Senior Partner and Chief Executive and the Executive Group, which is appointed by the Senior Partner and Chief Executive. In keeping with Deloitte's client service focus, all members of the Executive Group are also actively engaged with Deloitte's clients.

The current members of the Executive Group are: **David Sproul**, Senior Partner and Chief Executive, **Steve Almond**, International Markets, **David Barnes**, Public Policy, **Emma Codd**, Talent, **Vimi Grewal-Carr,** Delivery Models, **Stephen Griggs**, Finance, **Andy Hodge**, Tax, **Neville Kahn**, Corporate Finance, **Panos Kakoullis**, Audit, **Vince Niblett**, Senior Markets Group, **Simon Owen**, Innovation and Solutions, **Richard Punt**, Clients and Markets, **Paul Robinson**, Consulting, **Nick Sandall**, Financial Services, **Sharon Thorne**, Regional Markets.

Senior Partner and Chief Executive

David Sproul, the Senior Partner and Chief Executive of Deloitte, has full executive authority for the management of the Group. The Senior Partner and Chief Executive is nominated by the Board and elected by the members for a four-year term of office. David Sproul began his first term as Senior Partner and Chief Executive on 1 June 2011.

The responsibilities of the Senior Partner and Chief Executive fall under five principal headings:

- the business of Deloitte, including the development and management of services at the highest level of quality and compliance with all regulations;
- the development of policies and strategic direction;
- financial performance;
- members, including the development and management of Deloitte's talent goals; and
- international, representing the UK firm's association with Deloitte Touche Tohmatsu Limited ("DTTL").

Board

The Board is responsible for the oversight of the Executive Group and the promotion and protection of member interests. It determines Deloitte's long-term strategies and has specific oversight of risk and quality.

As with the Senior Partner and Chief Executive, the Chairman is nominated by the Board and elected by the members and serves a four-year term of office. David Cruickshank commenced his second term of office as Chairman on 1 June 2011. The separation of the roles of the Chairman and the Senior Partner and Chief Executive provides a strong measure of accountability for the Executive Group.

The current Board comprises:

David Cruickshank, Chairman, **David Sproul**, Senior Partner and Chief Executive, **David Barnes**, **Zahir Bokhari, Nick Edwards, Stephen Griggs, Chris Loughran, Anna Marks, John Maxey, Nick Owen, Ellie Patsalos, Chris Powell, Reto Savoia, Ian Steele, Sharon Thorne** and **Denis Woulfe**. Independent Non-Executives are: **Sir Gerry Grimstone** and **Sir Michael Peat. Dame DeAnne Julius** served as an Independent Non-Executive Board member to 30 June 2014.

Principal activity

The principal activity of Deloitte is the provision of audit, tax, consulting and corporate finance services in the United Kingdom and the Channel Islands and, through its subsidiaries, in Switzerland. In addition, corporate finance services are provided in the Middle East by a joint venture with the local DTTL member firm.

Strategy

Deloitte's vision is to be the distinctive firm, standing out from the competition through the impact Deloitte has on the reputation and success of its clients, contributing to a sustainable and prosperous society. This vision will be achieved through actions which:

- build distinctive client relationships through a deep focus on industries and private markets;
- secure market leadership in more industries, regions, integrated market offerings ('Big Plays') and services;
- invest in Innovation to continually refresh our services and ensure we are bringing the most innovative thinking to clients;
- enable a global approach to building client relationships and service delivery;

- create a high performance environment in which the best people thrive;
- build Deloitte's brand to reinforce its client and market positioning;
- continue to embed quality and integrity across all dimensions of Deloitte; and
- recognise Deloitte's wider role and responsibilities to act in the public interest.

Structure

Deloitte is incorporated as a Limited Liability Partnership under the Limited Liability Partnerships Act 2000 and is wholly owned by its members. The principal subsidiary undertakings of Deloitte are set out in note 25.

Designated members

The designated members (as defined in the Limited Liability Partnerships Act 2000) during the year were: **Steve Almond, David Cruickshank, Stephen Griggs, Vince Niblett, Graham Richardson, Panos Kakoullis, Stephen Ward** and **David Sproul.** All the designated members, except David Cruickshank and Graham Richardson, served as a member of the Executive Group. Heather Hancock was a designated member until 31 January 2014. On 1 June 2014 Andy Hodge and Neville Kahn were appointed as a designated member and Graham Richardson ceased being a designated member.

Business performance

The results for the year to 31 May 2014 are positive against the backdrop of a challenging and complex market. Deloitte continued with its focus on quality, clients and people and has achieved a strong financial performance.

Revenues were £2,550m, up 1.4% on last year. The profit for the financial year distributable to members was £554m against £571m in the prior year. The profit for the financial year based on the Group's equity accounts was £599m (2013: £609m). This has delivered an average profit to each member of £811,000 (2013: £823,000). The average profit earned by each member in the year, after providing for pensions and annuities payable during the year to retired members, was £750,000 (2013: £772,000).

People

Staff costs of £1,068m were 3.8% higher, reflecting both a small increase in headcount and further investment in staff during the year.

Assets and liabilities

Total assets were £1,021m (2013: £974m). Total members' interests before deducting provisions for current and retired members' annuities were £353m (2013: £291m). Provisions for current member annuities amount to £526m (2013: £516m) and provisions for retired member annuities amount to £606m (2013: £535m). Annuity payments to members commence when a member reaches the age of 60.

The provisions are unfunded, are dependent on the future generation of profits and are capped at 8% of applicable Group profit in any financial year. Amounts provided in these accounts in respect of retired members include £332m (2013: £300m) which arises after 10 years, of which £107m (2013: £100m) is payable between 10 and 15 years and £225m (2013: £200m) is payable after 15 years.

Cash flow

Net cash inflow from operating activities for the year was £615m (2013: £610m).

The main treasury risks relate to interest, liquidity and currency.

The primary currency is Pounds Sterling but certain expenses and charges from overseas offices are denominated in other currencies. Some fees are rendered in other currencies and the foreign subsidiary undertakings have functional currencies different from that of the Group. The volume and timing of currency inflows and outflows provide a natural hedge.

The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities and by continually monitoring forecast and actual cash flows.

The Group recognises that interest rates are liable to fluctuate and accepts this risk and does not consider it to be material to the Group.

Finance and capital structure

At the balance sheet date, fixed capital amounted to £129m (2013: £132m), an average of £174,560 (2013: £178,378) per member. Profit distributable to members is determined by the firm's equity accounts which are based on accounting policies which differ from International Financial Reporting Standards (IFRS). The principal differences relate to the accounting treatment of annuities and pension schemes. The distributable profit for the year based on the equity accounts was £554m (2013: £571m), the balance of which will, in accordance with the current distribution policy, be released to members in the 12 month period following the year end.

The balance of Deloitte's funding is provided by bank facilities and Private Placement Loan Notes. The Group continues to maintain a significant level of committed undrawn facilities, enabling the Group to respond rapidly to opportunities and to fund initiatives, without the need for specific financing.

Members' drawings and capital

All members are equity members and share in the profits and subscribe to the capital of Deloitte. Each member's capital subscription is linked to his or her share of profit and is repaid in full on ceasing to be a member. The rate of capital subscription is determined from time to time depending upon the financing requirements of the business.

Members draw a proportion of their profit share, in 12 monthly, on account instalments, during the year in which the profit is made, with the balance of their profits, net of a tax retention, paid in instalments in the subsequent year. All payments are made subject to the cash requirements of the business. Tax retentions are paid to HM Revenue & Customs on behalf of members with any excess being released to members as appropriate.

Members' profit sharing

Members' profit shares are based upon a comprehensive evaluation of their individual contribution to the achievement of the Group's strategic objectives.

Each member is assigned to an equity group, which is reviewed annually and which describes the attributes, skills and broad performance expected of them.

Each equity group carries a wide band of profit sharing units so that relative contributions can be recognised.

Seven key criteria are used for assessing the performance and contribution of each member to the success of Deloitte. These are:

- **Quality**
  Each member must be a role model for quality in their professional work.

- **Talent**
  Each member's contribution to mentoring, leading, recruitment, engagement, development and training Deloitte's people.

- **Clients**
  Each member is assessed on client portfolio managed and roles carried out.

- **Brand and Eminence**
  Market-related activity of each member is assessed, including regulatory relations, thought leadership, innovation and brand protection roles.

- **Revenue Generation, Growth, Business Building**
  Each member's overall contribution to business development building and relationship building is assessed.

- **Financial Success**
  Each member's overall contribution to the financial success of Deloitte is assessed.

- **Leadership and Management**
  Each member's contribution to Deloitte's broad success through leadership and management roles is assessed.

All members are expected to be ambassadors for Deloitte externally and leaders by example to all of its employees in everything they do. Certain attributes transcend all equity groups. These are:

- integrity;
- quality service to its clients;
- the highest levels of technical excellence;
- development of people;
- compliance with Deloitte's policies and standards and external regulatory requirements; and
- high quality management of risk.

Members who provide audit services are expected to be responsive to their clients' service needs. However, Deloitte's policy is that they are not evaluated or remunerated on the selling of other services to their audit clients.

Member performance is evaluated by means of a formal appraisal process which reviews the contribution of each member across all designated competencies. The profit sharing process begins with the Board's approval of the profit sharing strategy, proposed by the Senior Partner and Chief Executive and concludes with the Board's review and as appropriate, approval of the recommended profit allocation and future equity group for each individual member, the conclusions of which are disclosed in full to all members. A committee of Board members is tasked with overseeing the management process to ensure consistent and equitable treatment.

Creditor payment policy

Deloitte's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure suppliers are made aware of and abide by the terms of payment.

Trade creditors of the Group at 31 May 2014 were equivalent to 23 days' (2013: 17 days') purchases, based on the average daily amount invoiced by suppliers during the year.

UK tax contributions

Deloitte makes a significant contribution to the UK Exchequer through the taxes paid by the members, the business and employees. In total this is estimated to be £356m in respect of the past year (2013: £344m).

The tax borne by the members of Deloitte relates to the profits distributed to them in the following financial year. Income tax and national insurance payable by members on the current year distributable profit arising in the UK are estimated to be £231m (2013: 241m). This will result in an estimated average effective rate of tax for members of approximately 49% (2013: 45%).

A further £125m (2013: £103m) is estimated as payable in respect of employer national insurance, business rates and corporate tax.

In addition, Deloitte has collected business taxes on behalf of the UK Exchequer of £511m (2013: £498m) which includes; employee tax and national insurance of £223m (2013: £223m) and VAT of £288m (2013: £275m).

Political donations

Deloitte's policy is not to give cash contributions to any political party or other groups with a political agenda. However, Deloitte seeks to develop and maintain constructive and balanced relationships with political parties and may make available partner, staff and adviser resources, and technical and factual information, on occasion.

Disclosures on such matters for companies are covered by the Political Parties, Elections and Referendums Act. Although the scope of this Act does not cover Limited Liability Partnerships, we regard it as appropriate to disclose equivalent details. For the period ended 31 May 2014 Deloitte donated £24,641 (2013: £1,559) to the Labour Party through the provision of staff and adviser resources.

Corporate social responsibility and business development

Details of the Group's commitment to corporate social responsibility and business development can be found in the Deloitte Impact Report at www.deloitte.co.uk/impact.

Going concern

The financial position of the Group, its cash flow and liquidity position are described above. In addition, note 23 of the financial statements provides details of the borrowing facilities and includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources. In addition to £100m of Private Placement loan notes the Group has £484m (2013: £434m) of committed and uncommitted facilities, of which £484m was undrawn at 31 May 2014 (2013: £319m). The facilities comprise a five year revolving credit facility of £150m which expires in July 2018, a five year revolving credit facility of £150m which expires in December 2016, a three year revolving credit facility of £50m which expires in January 2017, overdraft facilities of £100m which expire between September 2014 and December 2014 and an indefinite facility of £34m.

The Group has a strong focus on working capital management. In addition, Deloitte has a broad client base across each of its segments and industry offerings. The Board believes that the Group is well placed to manage its business risks successfully.

The Board, following a review of its profit and cash flow plans, has concluded, at the time of approving the financial statements, that the parent partnership and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, Deloitte continues to adopt the going concern basis in preparing this report and financial statements.

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 28.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Group's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Principal risks and uncertainties

Enterprise risks

As with other major professional service firms, Deloitte faces continued and increasing scrutiny from regulators, politicians, investors, companies, the public in general and other stakeholders as evidenced by stringent regulation, enhanced penalties and enforcement of any breaches.

Following the European Union (EU) directive on audit rotation, there is some uncertainty around which EU Member State options the UK will decide to adopt and to what extent. Whilst the Financial Reporting Council (FRC) concluded the quality of auditing in the UK is generally good, it identified the need for further improvements across the profession, particularly in the quality of bank and building society audits. Public interest scrutiny is also increasing over tax, insolvency, executive remuneration and public sector consulting.

These developments reinforce the need for the firm to maintain a relentless focus on quality, and to ensure that trust is not eroded by actively engaging with, and responding to, the demands of these stakeholders.

The Group plans and manages its activity in accordance with prevailing and expected trends in economic activity while responding to an increasingly complex business environment. Consideration of existing, changing and emerging risks is fundamental to Deloitte's success and the Group continues to invest in risk mitigations and monitoring.

In the last year increased effort has been made to actively engage with, and respond to, public interest matters and the demands of its stakeholders. Investment in governance arrangements and tools to ensure the firm is equipped to respond to public interest matters include: linking firm independence systems to public interest considerations; establishment of a Tuesday Group to review, in advance, matters which have a significant public interest impact and; an enhanced ethics programme including the introduction of a new whistle-blowing and ethics speak-up line.

In addition, the Group has invested further in data loss prevention and strengthened its funding through increased committed facilities. Deloitte's Executive Group's assessment of the potential risks to the achievement of its strategy and to maintaining its reputation is set out in an embedded Enterprise Risk Framework (ERF). In reaching its assessment, the Executive Group considers the interests of the economic and capital markets, the public interest, Deloitte's clients, regulators, members and employees, other key stakeholders, its infrastructure, resources and operating environment.

Each enterprise risk is owned by a member of the Executive Group and risk is considered regularly at Executive Group meetings. Every six months a full assessment of each enterprise risk is made by each Risk Owner; following challenge of the Risk Owners by the Managing Partner, Quality & Risk, the assessment is then discussed by the Executive Group. In addition, the Executive Group undertakes a full annual refresh of the enterprise risks. The ERF which includes, for each risk, an Assurance Framework setting out the related mitigating, monitoring and assurance activities, is approved by the Audit & Risk Committee and Board.

At 31 May 2014 the enterprise risks which the Executive Group, Audit & Risk Committee and the Board consider have the most potential significant impact on Deloitte's reputation, if they materialised, and related key mitigations were:

Risk	Mitigation
Client service quality: the risk that there is a cultural move across Deloitte that reduces the current focus on quality and risk; Deloitte fails to comply with regulatory, legal, ethical or professional requirements on a systemic basis, or of major litigation arising from failure or negligence in the acceptance, contracting for, or performance of client work; Deloitte fails to continue to enhance quality, particularly audit quality.	• Deloitte-wide Quality & Risk community led and staffed by dedicated experts. Established quality policies, processes and procedures on specific regulatory, legal, ethical and professional requirements. • Deloitte Code, incorporating ethical principles and Deloitte Touche Tohmatsu Limited (DTTL) shared values and complemented by an enhanced ethics programme including a new whistle-blowing and ethics speak-up line process and reporting channels. • Training programmes that are a combination of core, compulsory training and tailored elements. • Practice and portfolio reviews of engagements and clients. • Response to audit quality issues raised by the FRC's Audit Quality Review team, including a root cause investigation of each finding, along with improvements to internal quality review procedures. • Firm and personal independence systems. • Enhanced client and engagement take on system (including a link to public interest considerations). • Annual self-certification of compliance by all partners and staff. • Audit Professional Standards Review.
Regulatory stakeholder engagement: the risk that Deloitte fails to engage effectively with regulatory stakeholders such that the business model is impacted by changes in regulations, particularly audit regulation and the tax environment.	• Public Policy oversight of Deloitte's engagements with regulatory bodies and other relevant stakeholders. • An engaged group to monitor and respond to consultations on regulatory changes. • A stakeholder engagement programme. • Regular participation in, and contribution to, industry forums. • Proactive and constructive discussions and liaison with government and regulatory bodies.
Public interest: the risk that Deloitte fails to have regard to the public interest and support the capital markets.	• Inclusion on the Board of three Independent Non-Executives (INEs). • Establishment of a Tuesday Group and Tax Review Panel to review in advance public interest matters. • A Public Interest Oversight Committee to enhance the public interest aspects of Deloitte's decision-making. • Regular dialogue with investors, regulators, government representatives, audit committees, boards and corporate management. • Stakeholder engagement programme to build insights to engage with key stakeholders, internally and externally. • Clear linkage between Deloitte's public policy position and ethical code and behaviours.

Principal risks and uncertainties (continued)

Risk	Mitigation
Data security: the risk of loss of client or Deloitte data.	• Deloitte Business Security Group and defined data security responsibilities. • Defined security strategy including information security policies, processes, guidelines and member firm collaboration. • IT technical solutions including, but not limited to, encryption, patching, event monitoring and incident management. • Best practice logical and systems management controls. • Physical security controls covering premises access. • Personnel security and vetting controls. • Security training and awareness programme. • ISO 27001 certification and audit.
Talent: the risk that Deloitte fails to align the talent strategy with the changing shape of its business; Deloitte fails to recruit, develop and progress a diverse and mobile workforce.	• Robust HR policies including Equal Opportunities, Respect, Inclusion and Diversity. • A range of leadership-supported initiatives, including 'Mobility and Wellbeing', 'Agile Working' and 'Women in Leadership' programmes, to attract, recruit, develop and retain the best talent. • Established performance management and career planning processes. • Tailored training and development programmes, including professional education programmes. • Rigorous performance management and reward processes that recognises quality, ethics and performance. • A diversity agenda to sustain diversity of thinking across Deloitte and to enhance its talent brand.
Funding: the risk that Deloitte is unable to respond quickly or with agility to sudden changes in its market environment, including the risk that Deloitte fails to maintain sufficient sources of finance to fund normal operations and to respond to crystallisation of risks.	• Secured committed and uncommitted facilities delivering appropriate headroom. • Annual budgeting and forecasting of cash flows. • Regular monitoring of cash flow and lender profile. • Review and re-negotiation of the Group financial covenants, current counterparties and tenure of facilities. • Stress testing of the Group's funding. • Secured 7/10 year funding of £100m through a Private Placement transaction.
Client portfolio: the risk that Deloitte fails to capture a distinctive client portfolio, that is relevantly proportioned between audit and advisory and by industry.	• Client Portfolio Management programme, including structured client conversations. • Established tools, methodologies and refreshed management and governance of the audit bid process. • Annual portfolio risk review.
Overseas interests: the risk that Deloitte fails to understand and protect itself from the impact of strategic, political, reputational, service delivery or financial events impacting its overseas interests.	• Strong UK representation or participation in leadership and governance bodies. • Secondment of UK partners to key leadership roles. • On-going review of funding requests and profitability. • Mandatory Member Firm compliance with DTTL Policies Manual.

Report to Members

Statement of members' responsibilities in respect of the financial statements

The members are responsible for preparing the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 regulations) require the members to prepare financial statements for each financial year. Under those regulations the members have elected to prepare the Group and partnership financial statements in accordance with IFRS as adopted by the EU and applicable law.

Under regulation 8 of the 2008 regulations the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and partnership and of the profit of the Group for that period.

In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and partnership will continue in business.

Under regulation 6 of the 2008 regulations the members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and partnership's transactions and disclose with reasonable accuracy at any time the financial position and enable them to ensure that the financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and partnership and to prevent and detect fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on Deloitte's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These responsibilities were exercised by the Board on behalf of the members.

Auditor

The Group has decided it will undertake a tender process for the external audit later this year. Grant Thornton UK LLP have been invited to re-tender for the external audit.

Approved by the Board and signed on behalf of the Board

David Sproul
Senior Partner and Chief Executive
12 August 2014

Stephen Griggs
Managing Partner, Finance
12 August 2014

Report of the Independent Auditor to the Members of Deloitte LLP

We have audited the financial statements of Deloitte LLP for the year ended 31 May 2014 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the related notes. The financial reporting framework which has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied to limited liability partnerships by the Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the partnership and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the statement of members' responsibilities set out on page 8, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Auditor commentary

An overview of the scope of our audit

Our audit scope included an audit of the financial statements of the parent entity, Deloitte LLP, and its principal subsidiary undertakings as detailed in note 25 (together 'the Group'). We evaluated and tested certain controls over key financial systems identified as part of our risk assessment.

This included a review of the general IT controls, review of the work undertaken by the internal audit function on controls relevant to our risk assessment, review of the accounts production process, and controls addressing critical accounting matters. From this review, we sought to use evidence from the Group's internal controls wherever possible. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risk.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the misstatement or omission. For the Group audit, we established materiality for the Group financial statements as a whole to be £30 million, which is approximately 5% of profit before taxation and remuneration to current members.

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the Group financial statements as a whole, and not to express an opinion on individual transactions, account balances or disclosures.

Revenue recognition

Revenue is recognised as the fair value of the consideration in respect of professional services engagements provided during the year. In determining the timing of revenue to be recognised in accordance with IAS 18 'Revenue' and the value of unbilled revenue to be recognised in the Balance Sheet, management estimates the stage of completion of each contract which is highly judgemental. We therefore identified revenue recognition as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, performing an assessment of the methodology and internal control environment surrounding revenue recognition. We tested certain controls which we determined as key in the recognition of revenue. We performed substantive testing on a sample of engagements to assess whether the right to consideration had been obtained through performance. For individually significant engagements, or engagements where we identified a specific risk, we discussed and challenged the management of estimates applied in determining the level of revenue recognised. We also performed certain analytical procedures and made inquiries of management where revenues recognised or trends fell outside of our expectation parameters.

The Group's accounting policy in respect of revenue recognition is included in Note 1.

Professional claims
The Group maintains insurance cover in respect of professional claims which is principally written through mutual insurance companies. A provision is made for any uninsured costs to the Group for settling negligence claims in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', which can be highly judgemental. A claim with a value exceeding the Group's insurance cover, or a significant claim which is not covered by the Group's insurance could require a provision to be made, which in turn could draw into question the ability of the Group to continue as a going concern. We therefore assessed the identification of and provisioning for the costs of settling professional claims as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, performing an assessment of the professional claim notification, identification and practice protection procedures in operation. We considered claims in progress and challenged management's key assumptions underlying the level of provision. We directly confirmed the existence of insurance cover that the Group maintains and considered the financial strength of the insurance providers to ensure that sufficient assets were available to honour the levels of cover provided.

The group accounting policy in respect of provisions, which includes professional claims, is included in Note 1.

Defined benefit pension and partner annuity provisions
The Group has significant provisions for post-employment benefits, namely defined benefit pension schemes deficit. The measurement of these liabilities in accordance with IAS 19 Revised 'Employee benefits' involves significant judgement and is subject to complex actuarial assumptions. In addition a provision for current and former members' annuities involves significant judgement and is subject to complex actuarial assumptions. We therefore identified post-employment benefits liabilities as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, reviewing the appropriateness of the valuation methodologies and their inherent actuarial assumptions and agreeing asset values to underlying investment manager statements.

The Group's accounting policies in respect of the defined benefit pension schemes and former partner annuity schemes are included in Note 1.

Opinion on financial statements
In our opinion the financial statements:

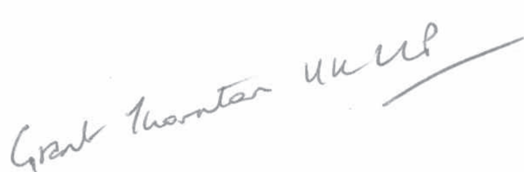
- give a true and fair view of the state of the Group's affairs as at 31 May 2014 and of the Group profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Other reporting responsibilities

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have reported separately for the Deloitte LLP Parent Entity.



Simon Bevan
Senior Statutory Auditor for and on behalf of Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants

London
12 August 2014

Consolidated Income Statement
Year ended 31 May 2014

	Note	*2014* £m	**2013* £m
Revenue	3	2,550	2,515
Expenses and disbursements on client assignments	3	(419)	(452)
Net revenue		2,131	2,063
Operating expenses			
Staff costs	4	(1,068)	(1,000)
Depreciation and amortisation	5	(48)	(47)
Other operating expenses		(404)	(378)
Share of results of joint venture	18	11	4
Operating profit		622	642
Other income	18	10	–
Finance cost	6	(51)	(43)
Profit before tax		581	599
Tax expensed in corporate subsidiaries	7	(11)	(1)
Profit for the financial year before provision for annuities and remuneration for current members		**570**	**598**
Provision for annuities and remuneration for current members		(88)	(170)
Profit for the financial year		**482**	**428**
Attributable to:			
Members as owners of parent entity	17	483	434
Non-controlling interest		(1)	(6)
		482	**428**

	2014 £m	2013 £m
Reconciliation with profit distributable to members		
Profit for the financial year based on the firm's equity accounts	599	609
Retired member annuities and other adjustments	(45)	(38)
Profit for the financial year distributable to members	554	571
Profit allocated during the financial year	(33)	(37)
Adjustment for IFRSs not adopted in the firm's equity accounts	(39)	(106)
Profit for the financial year	**482**	**428**

The profit distributable to members is determined in accordance with accounting policies which differ from IFRSs. The principal differences relate to the accounting treatment of annuities and pension schemes.

***Restatement on adoption of the amendment to IAS 19 Employee Benefits (see note 26).**

Consolidated Statement of Comprehensive Income
Year ended 31 May 2014

	Note	*2014*	**2013*
		£m	£m
Profit for the financial year		**482**	**428**
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit pension schemes	22	(2)	37
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge:			
Losses arising during the year	14	(3)	–
Exchange differences on translation of foreign operations		(1)	–
Other comprehensive (expense)/income for the year, net of tax		**(6)**	**37**
Total comprehensive income for the financial year		**476**	**465**
Attributable to:			
Members as owners of parent entity		477	471
Non-controlling interest		(1)	(6)
		476	**465**

*Restatement on adoption of the amendment to IAS 19 Employee Benefits (see note 26).

Consolidated Balance Sheet
As at 31 May 2014

	Note	*2014* £m	*2013* £m
Assets			
Non-current assets			
Property, plant and equipment	9	178	190
Intangible assets	10	37	41
Interest in joint venture	18	–	4
Deferred tax asset	16	4	–
Investments and associates	11	2	2
		221	237
Current assets			
Client and other receivables	12	725	723
Cash and cash equivalents		75	14
		800	737
Total assets		**1,021**	**974**
Liabilities			
Current liabilities			
Trade and other payables	13	391	378
Borrowings	14	–	115
Provisions	15	52	32
Members' capital	17	3	7
		446	532
Non-current liabilities			
Borrowings	14	103	–
Retirement benefit obligation	22	195	218
Deferred tax liability	16	–	1
Provisions	15	1,118	1,050
Members' capital	17	126	125
		1,542	1,394
Equity			
Members' other reserves	17	(958)	(944)
Non-controlling interests	17	(9)	(8)
Total liabilities and equity		**1,021**	**974**

Consolidated Balance Sheet
As at 31 May 2014

Members' interests	Note	*2014* £m	*2013* £m
The following balances relating to members are included in the consolidated balance sheet:			
Members' capital	17	129	132
Amounts due to members	17	50	52
Members' other reserves – current members	17	(958)	(944)
Members' interests for current members		**(779)**	**(760)**
Provision for annuities dependent upon future generation of profits			
Provision for current member annuities	15	526	516
Provision for retired member annuities	15	606	535
Total members' interests before annuities payable from future profits		**353**	**291**

The Group financial statements on pages 12 to 53 of Deloitte LLP, registered number OC303675, were approved by the Board on 12 August 2014.

Signed on behalf of the Board,

David Sproul
Senior Partner and Chief Executive

Stephen Griggs
Managing Partner, Finance

Consolidated Statement of Changes in Equity

Year ended 31 May 2014

	2014	**2013*
	£m	£m
Members' other reserves at the start of the year	**(944)**	**(858)**
Profit for the year attributable to members	483	434
Cash flow hedge loss arising during the year	(3)	–
Remeasurement on defined benefit pension schemes	(2)	37
Total comprehensive income	**478**	**471**
Profit allocated to members during the year	(483)	(532)
Other transactions with members	(9)	(25)
Members' other reserves at the end of the year	**(958)**	**(944)**

*Restatement on adoption of the amendment to IAS19 Employee Benefits (see note 26).

Consolidated Cash Flow Statement

Year ended 31 May 2014

	2014	*2013
	£m	£m
Profit for the financial year	482	428
Adjustments for:		
Tax on profits	11	1
Depreciation and amortisation	48	47
Joint venture profit	(11)	(4)
Profit on disposal of a business	(10)	–
Loss on disposal of property, plant and equipment	1	3
Finance expense	51	43
Increase in provision	88	153
Retirement benefit obligations	(33)	(53)
Operating cash inflows before movements in working capital	627	618
Increase in receivables	(2)	(33)
Increase in payables	23	48
Cash generated by operations	648	633
Corporate taxes paid	(33)	(23)
Net cash inflow from operating activities	615	610
Investing activities		
Proceeds on disposal of property, plant and equipment	3	4
Proceeds on disposal of joint venture	26	–
Acquisition of subsidiary	–	(6)
Purchase of property, plant and equipment	(36)	(45)
Net cash used in investing activities	(7)	(47)
Financing activities		
Payments to and on behalf of members	(485)	(506)
Retirement benefits paid to former members	(40)	(28)
Repayment of capital to former members	(10)	(9)
Members' capital introduced	7	11
Private Placement Notes raised	100	–
Interest paid	(4)	(4)
Net cash used in financing activities	(432)	(536)
Net increase in cash and cash equivalents	176	27
Cash and cash equivalents at beginning of year	(101)	(128)
Cash and cash equivalents at end of year	**75**	**(101)**
Cash and cash equivalents comprise:		
Cash at bank	75	14
Bank overdraft and bank loans	–	(115)
	75	**(101)**

*Restatement on adoption of the amendment to IAS 19 Employee Benefits (see note 26).

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union (EU) that are effective for the year ended 31 May 2014. They have been prepared under the historical cost convention except for the revaluation of certain financial assets.

In these financial statements the following standards and related amendments to published standards are reflected for the first time:

IAS 1 'Presentation of Financial Statements' (Amendments) amends how items of other income should be presented in the statement of comprehensive income (OCI). Other than having to separate items of OCI into items that may be reclassified subsequently to the profit or loss account and those that will not be reclassified to the profit or loss account, these amendments do not materially impact these financial statements.

IAS 19 'Employee Benefits' (Amendments) changes the accounting and valuation of defined benefit plans and termination benefits. The interest cost and expected return on plan assets has been replaced with a net interest charge on the net defined benefit liability and scheme running costs are now recognised within operating profit. The amendments also enhance the disclosure requirements of defined benefit plans. The impact of retrospectively applying the accounting changes is considered to have a material impact on these financial statements and so the prior year results have been restated, as set out in note 26.

IFRS 13 'Fair Value Measurement' defines fair value and replaces the requirements contained in individual accounting standards. The standard does not change the requirements regarding which items should be measured or disclosed at fair value and has had no material impact on these financial statements.

IFRS 7 'Financial Instruments' (Amendments) improves disclosure in netting arrangements associated with financial assets and financial liabilities. This amendment has not had a material impact on these financial statements.

Future developments

Certain new standards, amendments and interpretations of existing standards have been published that, once they have been endorsed by the European Union, will be mandatory for the Group's accounting period beginning on 1 June 2014 or for later periods. The Group has not yet adopted the pronouncements and does not currently believe that the adoption of these standards, amendments or interpretations would have a material effect on the consolidated results or financial position of the Group unless stated otherwise.

Amendments to IAS 32 'Offsetting Financial Assets and Liabilities' are effective for annual periods beginning on or after 1 January 2014. The amendments add guidance on the meaning of 'a legally enforceable right to set off', on simultaneous settlement.

The current version of IFRS 9 'Financial Instruments' has an effective date for annual periods beginning on or after 1 January 2018 and has not yet been adopted by the EU. The standard contains new requirements for accounting for financial assets and liabilities replacing the corresponding requirements in IAS 39 'Financial Instruments: Recognition and Measurement'.

The IASB has published a group of five new accounting standards on consolidation and joint arrangements. These standards become effective for accounting periods beginning on or after 1 January 2015 (or 2014 for early adopters).

IFRS 10 'Consolidated Financial Statements', replaces SIC 12 'Consolidation – Special Purpose Entities' and the consolidation elements of the existing IAS 27 'Consolidated and Separate Financial Statements'. Within the EU, IFRS 10 is effective for accounting periods beginning on or after 1 January 2014. The standard will be applied for the first time in the financial statements for the year ended 31 May 2015. The definition of control has been broadened, requiring a change in accounting treatment. The implementation of the standard will require Deloitte CIS Holdings Limited to be consolidated in the Group financial statements for year ended 31 May 2015. The consolidation of this entity will not have a material impact on the results or net assets of the Group. The impact on Group revenue is estimated to be an increase of 5%. The comparatives in the financial statements for the year ended 31 May 2015 will be restated to reflect the change in accounting policy.

1. Accounting policies (continued)

IFRS 11 'Joint Arrangements' which supersedes IAS 31 'Interest in Joint Ventures' distinguishes between joint operations and joint ventures. Joint operations are accounted for by the investor recognising its assets and liabilities including any share of assets held and liabilities incurred jointly and its share of revenues and costs. Joint ventures are accounted for in the investor's consolidated accounts using the equity method. Details of the Group's joint venture arrangements are set out in note 18. There is expected to be no impact on the Group's financial statements arising from this change.

IFRS 12 'Disclosure of Interests in Other Entities' requires enhanced disclosures for entities reporting under IFRS 10 and IFRS 11 replacing those in IAS 28 and IAS 27. Entities are required to disclose information that helps financial statement readers evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries, in associates and joint arrangements and in unconsolidated structured entities.

IAS 27 'Separate Financial Statements' comprises those parts of the existing IAS 27 that dealt with separate financial statements.

IAS 28 'Investments in Associates and Joint Ventures' (revised) covers joint ventures as well as associates; both must be accounted for using the equity method. The mechanics of the equity method are unchanged.

A number of other new amendments and interpretations have been endorsed by the EU as part of adopted IFRSs, but are not yet effective.

None of these changes, other than those relating to IFRS 10 noted above, are expected to have a material impact on the Group's financial statements. The Group will continue to monitor the impact of the changes.

Consolidation

The consolidated financial statements incorporate the financial statements of Deloitte LLP and entities controlled by Deloitte (its subsidiaries) made up to 31 May each year. The Group disposed of its holding in the joint venture Ingeus UK Limited on 30 May 2014.

Control is achieved where Deloitte has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The Board has, at the time of approving the financial statements, a reasonable expectation that Deloitte has adequate resources to continue in operational existence for the foreseeable future. Thus, it continues to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Report to Members on page 4.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred, or assumed by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the acquisition date. Goodwill is recognised where the cost of the business combination exceeds the total of these fair values. Where the excess is positive, goodwill is treated as an intangible asset, subject to an annual impairment review. Where the fair value of the acquiree's identifiable net assets exceeds the fair value of the consideration transferred, the excess is recognised immediately in the income statement as a bargain purchase gain.

Non-controlling interests are recognised as the non-controlling shareholder's proportion of the identifiable assets and liabilities.

Acquisition-related costs are recognised in the income statement as incurred.

Joint ventures

Joint ventures are those entities over which the Group exercises joint control through a contractual arrangement. The results, assets and liabilities of joint ventures are incorporated in the financial statements of the Group using the equity method of accounting, except where the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

1. Accounting policies (continued)

Investments in joint ventures are initially carried in the consolidated balance sheet at cost (including any goodwill and intangible assets arising on acquisition) and are adjusted by post-acquisition changes in the Group's share of the net assets of the joint ventures less any impairment in the value of individual investments. Losses in excess of the Group's interest in joint ventures are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Associates

Associates are those entities over which the Group has significant influence, but neither control nor joint control over the financial and operating policies. Associates are accounted for using the equity method and are initially recognised at cost. The financial statements include the Group's share of the total comprehensive income and equity movements of associates, from the date when significant influence commences until the date that significant influence ceases.

Revenue

Revenue represents amounts chargeable to clients for professional services provided during the year including recoverable expenses on client assignments but excluding Value Added Tax.

Services provided to clients, which, at the balance sheet date have not been billed to clients, are recognised as revenue.

Revenue is recognised by reference to the stage of completion of the contract determined by the value of the services provided at the balance sheet date as a proportion of the total value of the engagement. Revenue is only recognised where the Group has a contractual right to receive consideration for work undertaken and the amount can be reliably measured and it is probable that future economic benefits will flow.

Generally, no revenue is recognised on contingent engagements until the contingent event crystallises. Provision is made against unbilled amounts on those engagements where the right to receive payment is contingent on factors outside the control of the Group.

Unbilled revenue is included in client and other receivables. Where individual on-account billings exceed revenue on client assignments, the excess is classified as progress billings for client work within trade and other payables.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the relevant functional currency at the rates ruling at that date. These translation differences are recognised in the income statement.

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Pounds Sterling, which is the functional currency of Deloitte and the presentation currency for the consolidated financial statements.

The assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising on the retranslation of foreign operations are recognised in other comprehensive income and accumulated in equity.

Leases

Leases are classified as finance leases, whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are recognised as a liability on the balance sheet and are also spread on a straight-line basis over the lease term.

Taxation

The taxation payable on profits of the limited liability partnership is the personal liability of the members and is not dealt with in these financial statements.

A retention from profit distributions is made to fund the taxation payments on behalf of members. The tax expense represents the sum of the current and deferred tax relating to the corporate subsidiaries.

1. Accounting policies (continued)

The current tax expense is based on taxable profits of these companies. Taxable profit excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax in the subsidiaries is generally recognised, using the liability method, in respect of temporary differences at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases. Deferred tax is measured at the tax rates enacted or substantively enacted at the balance sheet date and which are expected to apply in the periods in which the temporary differences reverse. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment loss. The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over the estimated useful economic lives as follows:

Leasehold improvements:	Period of lease
Fixtures and fittings:	5-10 years
Computer equipment:	3-5 years
Motor vehicles:	4 years

The residual value, if not insignificant, is reassessed annually in addition to useful lives.

Intangible assets

Internally generated intangible assets are recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

The direct cost of staff in the development of computer systems for the Group has been capitalised as an internally generated intangible asset and is being amortised on a straight-line basis over a period of ten years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Purchased intangible assets have been recognised as part of the fair value determination arising from business combinations referred to above. Customer relationships, brands and order books are stated at cost less accumulated amortisation. Purchased intangible assets are being amortised on a straight-line basis over a period of between five and ten years, this being the estimated economic life.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Any impairment loss in respect of goodwill is not reversed. In the case of other assets an impairment loss is reversed where there are changes in the estimated recoverable amount.

Financial assets

Financial assets are initially recognised at fair value plus transaction costs. Financial assets include cash and cash equivalents, client receivables, amounts due from other member firms of the DTTL organisation, including long-term loans and amounts due from members.
All financial assets are classified as loans and receivables and have fixed or determinable payments that are not quoted in an active market.

1. Accounting policies (continued)

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less any impairment. Provision for impairment represents an allowance for doubtful debts that is estimated, based upon current observations and historical trends. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents comprise cash in hand, overdrafts, on demand deposits and other short-term highly liquid investments.

Financial liabilities

The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities include trade payables, amounts due to other member firms of DTTL and member capital. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Interest cost is recognised by applying the effective interest rate, except for short-term payables when the recognition of interest would be immaterial.

Financial guarantees

Financial guarantees are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'; or

- the amount initially recognised less, where appropriate, cumulative amortisation.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation, at the balance sheet date, and are discounted to present value where the effect is material. The increase during the period in the discounted amount, arising from the passage of time and the effect of any change in the discount rate, is charged to the income statement as a finance cost.

Retirement benefit obligations

The Group provides retirement benefits through both defined benefit and defined contribution schemes. The defined benefit scheme was closed to future service accrual with effect from 31 January 2013. The net deficit or surplus for the defined benefit schemes is calculated in accordance with IAS 19 'Employee Benefits', based on the present value of the defined benefit obligations at the balance sheet date less the fair value of the Scheme's assets. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Remeasurements are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in other comprehensive income.

The net interest cost in the income statement is calculated by applying a discount rate to the net deferred benefit obligation.

Past service cost is recognised immediately in the income statement. The Group's payments to the defined contribution pension schemes are charged to the income statement as they fall due.

Members' remuneration

Remuneration to certain members which arises from a contractual obligation has been charged to the income statement in the year. These contractual obligations comprise salaries paid in overseas subsidiaries and fixed non-discretionary profit share arrangements.

Members' interests

Members subscribe capital in proportion to their equity interest in Deloitte. Members' capital may only be withdrawn when a member retires from Deloitte. Member capital has been classified as a liability.

Members' non-current liabilities represent provisions for the annuities of current and retired members and members' capital. The provision relates to annuities payable under the member Pension Plan, which commence when the member reaches the age of 60. The annuities are unfunded and are dependent upon the future generation of profits. Drawings by members on account of profits have been classified as amounts due from members within current assets.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, specifically cross currency swaps. Further details of derivative financial instruments are disclosed in note 23.

1. Accounting policies (continued)

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates all derivatives as hedges of highly probable forecast transactions (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivative

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at Fair Value Through Profit or Loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates all derivative hedging instruments as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 23 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in note 17.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Fair value measurement of derivative financial instruments

Derivative financial instruments are stated in the balance sheet at fair value. The Group uses judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on observable market data, such as interest rate yield curves and currency rates, adjusted for the specific features of the instrument. In determining the fair value at the balance sheet date, the Group uses valuation techniques which are based on the discounted value of the expected future cash flows arising from the derivative instruments.

2. Critical accounting judgements and key sources of estimation

The preparation of financial statements requires the Board to make estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and expectations of future events, that are considered reasonable in the circumstances. Actual results may differ from those estimated.

The Board considers that the following estimates and judgements are likely to have the most significant effects on the amounts recognised in the financial statements:

Revenue recognition

In determining revenue on client assignments the Group makes certain estimates as to the stage of completion of those assignments. The Group estimates the remaining time and external costs to be incurred in completing the assignments and the client's willingness and ability to pay for the services provided. A different assessment of the outturn on an assignment may result in a different value being determined for revenue and also a different carrying value being determined for unbilled revenue for client work.

Retirement benefit obligation

The pension liability in respect of the defined benefit schemes has been independently valued based on information provided by the Group in terms of the pensionable salary and contributions to the schemes. The liabilities disclosed for the defined benefit schemes are sensitive to movements in the related actuarial assumptions, in particular those relating to discount rate and mortality. Further details of the estimates and assumptions are set out in note 22. The Group will continue to review these assumptions against the Group's experience and market data and adjustments will be made in future periods where appropriate.

Provision for member annuities

The provision for annuities for both retired and current members has been valued based on information provided by the Group of future levels of pension annuity, current member retirement rates and mortality. This data is based on the current profile of retired and current members. The liabilities disclosed for the member annuities are sensitive to movements in the related actuarial assumptions, in particular those relating to discount rate and mortality. Further details of the estimates and assumptions are set out in note 15.

The Group will continue to review these assumptions against the Group's experience and market data, and adjustments will be made in future periods where appropriate.

Consolidation of Group entities

The Group continues to account for the 60% interest in Deloitte CIS Holdings Limited as an associate. Applying the definition used in IAS 27 'Consolidated and Separate Financial Statements', Deloitte CIS Limited does not exert control over Deloitte CIS Holdings Limited to obtain any benefit as explained in note 11.

3. Operating Segments

The Group has five reportable operating segments: Audit, Tax, Consulting, Corporate Finance and Switzerland.

The Audit segment provides audit, internal audit, regulatory, risk and control and accounting and financial reporting services. The Tax segment provides business tax, employer and personal tax services. The Consulting segment provides strategy, operations, human capital, enterprise application and technology integration services, as well as actuarial and insurance solutions. The Corporate Finance segment provides transaction support, reorganisation services, forensic and dispute services, real estate consultancy and advisory services. The Switzerland segment provides audit, tax, consulting and corporate finance services in Switzerland.

The reportable segments reflect the Group's principal management and internal reporting structures, and are strategic business units which offer different services and operate in different jurisdictions.

The Group evaluates the performance of the segments on the basis of net revenue and profit or loss from operations before unallocated costs, finance income, finance cost and tax expense. Net revenue is revenue less expenses and disbursements incurred on client assignments. Unallocated items include any costs which cannot be allocated to an operating segment on a meaningful basis.

Performance assessment of the segments includes a review of certain assets such as client receivables, net of payments on account and, deferred income and amounts to be billed to clients and prepayments. All other assets, including non-current assets, balances with members, cash, provisions and retirement benefit balances, are controlled centrally and are not allocated across segments. There is no internal reporting of liabilities by operating segment, and thus no segmental disclosures are provided.

Inter-segment revenue is not material as revenue is shared proportionately by those segments delivering services to clients.

3. Operating Segments (continued)

	Audit	*Tax*	*Consulting*	*Corporate Finance*	*Switzerland*	*Total 2014*
	£m	£m	£m	£m	£m	£m
Revenue	**706**	**562**	**622**	**424**	**236**	**2,550**
Expenses and disbursements on client engagements	(125)	(98)	(102)	(50)	(44)	**(419)**
Net revenue	581	464	520	374	192	**2,131**
Profit per operating segment	195	181	161	136	36	**709**
Unallocated						**(98)**
Other income						**10**
Share of results of joint venture						**11**
Finance cost						**(51)**
Profit before tax						**581**
Tax						**(11)**
Profit for the year						**570**
Operating segment assets	149	203	130	125	64	**671**
Unallocated						**350**
Total assets						**1,021**

3. Operating Segments (continued)

	Audit	*Tax*	*Consulting*	*Corporate Finance*	*Switzerland*	**Total 2013*
	£m	£m	£m	£m	£m	£m
Revenue	**719**	**563**	**619**	**405**	**209**	**2,515**
Expenses and disbursements on client engagements	(157)	(92)	(117)	(52)	(34)	(452)
Net revenue	562	471	502	353	175	2,063
Profit per operating segment	197	184	146	113	29	669
Unallocated						(31)
Share of results of joint venture						4
Finance cost						(43)
Profit before tax						599
Tax						(1)
Profit for the year						**598**
Operating segment assets	175	176	125	127	55	658
Unallocated						316
Total assets						**974**

***Restatement on adoption of the amendment to IAS 19 Employee Benefits (see note 26).**

The segmental analysis for 2013 has been amended to reflect changes to the Groups organisation reporting structure completed in 2014. This has resulted in £23m of revenue, and £1m of profit, being reallocated from Audit to the Consulting operating segment.

	2014	*2013*
	£m	£m
Revenue per income statement	2,550	2,515
Expenses and disbursements on client assignments	(419)	(452)
Net revenue	**2,131**	**2,063**

Included within the Group's UK Audit, Tax, Consulting and Corporate Finance segments is revenue of £78m (2013: £43m) which relates to engagements based in Switzerland.

Segment net revenue and profit without the allocation of central costs, other income, finance income and costs and tax expense, are the measures that are reported to the Senior Partner and Chief Executive for assessment of segment performance and resource allocation. For the purposes of internal reporting liabilities are not allocated to operating segments.

Included in Group revenue is net revenue of approximately £62m (2013: £78m) which arose from supplying professional services, across all four operating segments, to the Group's largest client, which is a non-audit client.

3. Operating Segments (continued)

The Group's revenue and information about its segment assets (non-current assets excluding financial instruments and interest in joint venture) by geographical location is detailed below. Both revenue and non-current assets are based on those arising in legal entities situated in each country.

	Revenue		*Net revenue*		*Non-current assets*	
	2014	***2013***	***2014***	***2013***	***2014***	****2013***
	£m	£m	£m	£m	£m	£m
UK	2,286	2,281	1,911	1,863	200	214
Switzerland	236	209	192	175	18	16
Other Countries	28	25	28	25	1	1
	2,550	**2,515**	**2,131**	**2,063**	**219**	**231**

To reflect our focus on client relationships, the Group is managed using a matrix structure which incorporates both operating segments and industry. Revenue by industry is:

	Revenue		*Net revenue*	
	2014	****2013***	***2014***	****2013***
	£m	£m	£m	£m
Financial Services	936	909	783	736
Consumer Business	341	383	285	309
Technology, Media and Communications	277	287	232	232
Manufacturing	191	211	159	171
Public Sector	179	166	179	166
Energy and Resources	184	205	153	165
Business and Professional Services	131	115	110	93
Healthcare and Life Science	121	105	101	85
Infrastructure and Capital Programmes	106	100	89	80
Other	84	34	40	26
	2,550	**2,515**	**2,131**	**2,063**

***The segmental analysis for 2013 has been amended to reflect changes to the Group's organisation reporting structure completed in 2014.**

4. Staff costs and member remuneration

The average number of members and employees, on a full time equivalent basis, during the year were:

	2014 No.	*2013* No.
Members	739	740
Employees	13,987	13,789
	14,726	**14,529**

The average number of members and employees, on a full time equivalent basis, by segment were as follows:

	2014 No.	*2013* No.
Fee earners:		
Audit	4,255	4,364
Tax	2,462	2,424
Consulting	2,981	2,814
Corporate Finance	1,764	1,749
Switzerland	983	937
	12,445	12,288
Central leadership and support	2,281	2,241
	14,726	**14,529**

Staff costs incurred during the year in respect of the employees were:

	2014 £m	*2013* £m
Salaries	869	859
Social security costs	94	94
Pension costs (note 22):		
Defined contribution	91	58
Defined benefit – service costs	14	18
Defined benefit – curtailment gain	–	(29)
	1,068	**1,000**

Profits are shared amongst the members after the end of the year in accordance with agreed profit sharing arrangements. The average profit per member is calculated by dividing the profit for the financial year distributable to members of £554m (2013: £571m) by the average number of members.

	2014 £'000	*2013* £'000
Average profit per member	**750**	**772**

The share of profit that has been allocated since the year end to the Senior Partner and Chief Executive, David Sproul, who was the member with the largest entitlement to profits in 2014, was £2.6m (2013: £2.7m).

5. Operating profit

Operating profit has been arrived at after charging:

	2014	*2013*
	£m	£m
Operating lease rentals		
– land and buildings	59	59
– other	6	5
Depreciation of property, plant and equipment	44	43
Amortisation of intangible assets	4	4
Net foreign exchange loss/(gain)	4	(1)

Audit fees and expenses for the Group accounts for the year ended 31 May 2014 were £0.3m (2013: £0.3m) and fees for other services were £0.1m (2013: £0.1m) which related to the audit of subsidiary financial statements. In addition, the auditor received £27,000 (2013: £25,000) for the audit of the Group pension schemes. Non-audit services were provided in relation to the provision of an Assurance Statement on the Carbon Credit review, with fees of £18,000 (2013: £22,000) and other assurance services of £13,000 (2013: £nil). The auditor and its associates did not provide any other non-audit services during either year.

6. Finance income and cost

	2014	**2013*
	£m	£m
Finance cost		
Interest payable on bank loans and overdrafts	2	4
Interest payable on Private Placement notes	2	–
Other interest payable and unwinding of discount on provisions	39	28
Net interest on pension scheme obligations (note 22)	8	11
	51	**43**

***Restatement on adoption of the amendment to IAS 19 Employee Benefits (see note 26).**

7. Tax expensed in corporate subsidiaries

The taxation charge which arises in the corporate entities included within these financial statements comprises:

	2014 £m	*2013* £m
Current tax	25	26
Compensating payments due from members	(9)	(25)
Deferred tax (note 16)	(5)	–
Tax expense in corporate subsidiaries	**11**	**1**

The tax expense at the standard rate can be reconciled to the actual tax expense as follows:

	2014 £m	*2013* £m
Profit on ordinary activities of corporate entities before tax	63	1
UK Corporation Tax @ 22.67%	14	–
Difference between depreciation and capital allowances	2	–
Expenditure not deductible for tax purposes	1	–
Deferred tax movement	(5)	–
Adjustment in respect of prior periods	(1)	1
Tax expense in corporate subsidiaries	**11**	**1**

UK Corporation Tax is calculated at 22.67% (2013: 23.83%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Up to 24 October 2013, the UK tax charge in respect of the corporate entities includes an additional amount as a result of UK transfer pricing legislation. The cost of this is offset by compensating payments made by the members of Deloitte LLP to the subsidiaries, which are dealt with through members' interests.

The tax paid in relation to members is accounted for within members' interests (note 17) and the Group's contribution to the UK Exchequer is detailed on page 4 of the report to members.

Factors that may affect future tax charges

The Finance Act 2013 included legislation reducing the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015.

8. Provision for annuities and remuneration for current members

	2014 £m	*2013* £m
Annuity provision for current members	55	133
Remuneration for current members paid under a contractual arrangement	33	37
	88	**170**

9. Property, plant and equipment

	Leasehold improvements £m	*Computer equipment* £m	*Fixtures and fittings* £m	*Motor vehicles* £m	*Total* £m
Cost					
At 1 June 2012	214	117	56	26	413
Additions	13	20	6	6	45
Disposals	(2)	(5)	–	(8)	(15)
At 1 June 2013	225	132	62	24	443
Additions	9	22	–	5	36
Disposals	(3)	(11)	(1)	(6)	(21)
At 31 May 2014	231	143	61	23	458
Depreciation					
At 1 June 2012	93	80	36	10	219
Charge for the year	16	20	4	3	43
Disposal	(1)	(4)	–	(4)	(9)
At 1 June 2013	108	96	40	9	253
Charge for the year	16	21	4	3	44
Disposals	(2)	(10)	(1)	(4)	(17)
At 31 May 2014	122	107	43	8	280
Net book amount					
At 31 May 2014	**109**	**36**	**18**	**15**	**178**
At 31 May 2013	**117**	**36**	**22**	**15**	**190**

Capital commitments contracted but not provided for as at 31 May 2014 amounted to £18m (2013: £16m).

10. Intangible assets

	Goodwill	IT Software	Customer relationships, order books, brands and contracts	Total
	£m	£m	£m	£m
Cost				
At 1 June 2012	20	19	13	52
Additions	8	–	2	10
Disposal	–	(2)	–	(2)
At 1 June 2013	28	17	15	60
At 31 May 2014	28	17	15	60
Amortisation				
At 1 June 2012	–	12	4	16
Charge for the year	–	1	3	4
Disposal	–	(1)	–	(1)
At 1 June 2013	–	12	7	19
Charge for the year	–	2	2	4
At 31 May 2014	–	14	9	23
Net book amount				
At 31 May 2014	28	3	6	37
At 31 May 2013	28	5	8	41

Goodwill was generated on the acquisitions of ReportSource (£3m), MC Schweiz (£17m) in the year ended 31 May 2010 and Monitor Company Europe Limited (£8m) in the year ended 31 May 2013. ReportSource and Monitor Company Europe are considered single cash generating units.

From 1 June 2011, the activities of MC Schweiz were merged, under Swiss rules, with the activities of Deloitte Consulting AG and the combined activities are considered a separate, single cash-generating unit. The recoverable amounts of the cash-generating units, have been determined using a 'value in use' basis, being the present value of future cash flows based on the performance in the year, financial plans for the next year approved by senior management and projected cash flows for the next five years, which are consistent with historical experience for each unit.

The financial plans for the next year approved by senior management, forecast growth of 3%. The discount rate applied against the anticipated future cash flows, is based on a pre-tax weighted average cost of capital – between 8% and 10% which has been assessed based on pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. A reasonable change in the key assumptions does not have a significant impact on the value in use compared to the carrying value. The key assumptions are those regarding the growth and discount rates. No goodwill impairment arises.

The Group has conducted a sensitivity analysis on the impairment test of each cash generating units carrying value. A cut in the growth rate of 20% of Monitor would cause the carrying value of the goodwill to equal its recoverable amount. A cut in the growth rate of 25% of MC Schwiez would cause the carrying value of goodwill to equal its recoverable amount.

11. Investments and associates

	Investments
	£m
Valuation/cost	
1 June 2013 and 31 May 2014	3
Provision	
1 June 2013 and 31 May 2014	1
Carrying amount	
At 31 May 2014	**2**
At 31 May 2013	**2**

Investments of £2m (2013: £2m) represent the investment in the captive insurance company Nautilus Indemnity Holdings Ltd (18.1%) and Deloitte CIS Holdings Limited of £38,000 ($60,000) (2013: £38,000 ($60,000)) accounted for as an associate.

On the 5 November 2012 the Group acquired one B and one C share with par values of $0.01 each representing a 16.6% holding in DCSH Limited, a company Incorporated in the United Kingdom. DCSH Limited is a special purpose vehicle used to facilitate the acquisition of Monitor in 2013. Due to the voting rights attached to the shareholding DCSH Limited has been accounted for as an "available for sale asset".

Deloitte CIS Holdings Limited

Deloitte CIS Limited holds 100% of the ordinary 'A' share capital of Deloitte CIS Holdings Limited, a company incorporated in Guernsey and the parent company of the CIS group. Deloitte LLP provides support to the CIS Group through Deloitte CIS Limited to facilitate growth and increased market share in the Commonwealth of Independent States (CIS).

Deloitte CIS Limited receives market rate interest on the loan advance. As any variability of return will be for the benefit of the partners within the CIS group, Deloitte CIS Limited does not exert control (as defined in IAS 27 'Consolidated and Separate Financial Statements') over Deloitte CIS Holdings Limited and so Deloitte CIS Holdings Limited has not been accounted for as a subsidiary.

Deloitte LLP, via Deloitte CIS Limited, owns voting rights of 60% in Deloitte CIS Holdings Limited and, therefore, is deemed to exert significant influence. As a consequence, Deloitte CIS Holdings Limited has been accounted for as an associate.

Investment in associate:

Share capital $100,000 – Deloitte LLP's share $60,000.

The Group is not entitled to a share of the profit or loss for the present and prior year. The disclosure below has been provided given that it is intended that Deloitte CIS Holdings Limited will be consolidated in the Group financial statements for the year ended 31 May 2015, following introduction of IFRS 10 which uses different appraisal criteria for consolidation.

Deloitte Global Financial Advisory India Private Limited

On 4 October 2013 the legal agreements that formally established Deloitte Global Financial Advisory India Private Limited were signed. Deloitte LLP holds a 1/3 of the share capital of Deloitte Global Financial Advisory India Private Limited.

The carrying value of the investment in the associate, being Deloitte LLP's interest, which is denominated in U.S. Dollars, in Deloitte Global Financial Advisory India Private Ltd is:

- Share capital $750,000 – Deloitte LLP's share $250,000.

- There were no capital commitments at 31 May 2014.

11. Investments and associates (continued)

	Deloitte CIS Holdings Limited		*Deloitte Global Financial Advisory India Private Limited*	
	2014	2013	2014	2013
	£m	£m	£m	£m
Aggregate amounts relating to the associate:				
Non-current assets	17	19	–	–
Current assets	53	57	1	–
Non-current liabilities	(36)	(37)	–	–
Current liabilities	(30)	(34)	(1)	–
Net assets	4	5	–	–
Group's share of net assets of the associate	**2**	**3**	**–**	**–**
Aggregate amounts relating to the associate:				
Revenue	132	127	5	–
Operating expenses	(133)	(119)	(5)	–
(Loss)/profit	(1)	8	–	–
Group's share of the profit/(loss) of the associate	**–**	**5**	**–**	**–**

12. Client and other receivables

	2014	*2013*
	£m	£m
Client receivables	383	400
Amounts due from other member firms of the DTTL organisation	29	26
Trade receivables	412	426
Amounts to be billed to clients	269	261
Other receivables	17	12
Prepayments and accrued income	27	24
	725	**723**

Client receivables are shown after impairment provisions for bad and doubtful debts of £10m (2013: £10m), movements on which are as follows:

	2014	*2013*
	£m	£m
As at the start of the year	10	7
New and additional provisions	7	9
Recoveries	(4)	(4)
Write-offs	(3)	(2)
As at the end of the year	**10**	**10**

12. Client and other receivables (continued)

The maximum exposure to credit risk for trade receivables is £422m (2013: £436m). The maximum exposure to credit risk for amounts due from members and other receivables is equal to the carrying amount.

Trade receivables are presumed to be impaired at any point where recoverability of the debt is considered doubtful. Reasons for impairment could include the client being unable to pay or a dispute over the services provided, or the fees incurred. Full provision is made for all debts which are considered to be impaired. Of the £10m (2013: £10m) provision £9m (2013: £8m) relates to receivables which are considered to be individually impaired as they are over nine months past due.

The Group has a policy of providing for all debts to the extent that they are not considered recoverable. The provision is also determined by reference to past default experience. In determining the recoverability of the client receivable, the Group considers any change in the credit quality of the client receivable.

A detailed review of the creditworthiness of each and every client is completed before an engagement commences and the concentration of credit risk is limited due to the client base being large and unrelated.

Clients are required to settle invoices on invoice presentation or on such other date as is agreed in the engagement terms for that client. Although terms vary, invoices are considered past due after 30 days have elapsed following the invoice date. No collateral is held for client receivables. Amounts due from other member firms of DTTL are generally payable on presentation.

Intra-group transactions are non-interest bearing and are not included as past due as they do not have fixed repayment terms, but are immediately repayable on demand. The Group has considered the credit risk in relation to these balances and considers it to be acceptable, given that the working capital of the subsidiaries is considered adequate to meet their financing requirements.

An analysis of the age of trade receivables that are not impaired but are past due at the year end is presented below:

	2014	*2013*
	£m	£m
1 – 3 months	116	130
3 – 6 months	26	23
6 – 9 months	3	4
At 31 May	145	157
Non-impaired trade receivables that are not past due:		
Less than 1 month	267	269
	412	**426**

13. Trade and other payables

	2014	*2013*
	£m	£m
Progress billings for client work	31	35
Trade payables	34	27
Amounts due to other member firms of the DTTL organisation	22	25
Amounts due to members	50	52
Corporation tax	8	16
Social security and other taxes	62	66
Other payables	23	10
Accruals and deferred income	161	147
	391	**378**

14. Borrowings

Private Placement Loan Notes

On 23 October 2013, the Group entered into fixed rate loan arrangements as set out below, repaying variable rate bank borrowings at the same time.

The Group holds loan notes with coupons and maturities as shown in the following table:

Title	*Year Issued*	*Principal Value*	*Maturity*	*Semi Annual Coupon*
Series A	2013	US$18m	23 October 2020	3.78%
Series B	2013	US$126m	23 October 2023	4.40%
Series C	2013	£10m	23 October 2023	4.16%

The Group entered into a number of cross-currency swap agreements in relation to the loan notes to eliminate any foreign exchange risk on interest rates or on the repayment of the principal borrowed. These swaps expire in line with the loan notes and are disclosed in note 23.

	2014	*2013*
	£m	£m
Unsecured borrowings		
At amortised cost		
Bank overdrafts	–	15
Bank loans	–	100
Private Placement Notes	100	–
At fair value		
Foreign exchange contracts – cash flow hedges	3	–
	103	**115**

	2014	*2013*
	£m	£m
Amounts due for settlement within 12 months	–	115
Amounts due for settlement after 12 months	103	–
	103	**115**

The Group's borrowing facilities are described in note 23.

15. Provisions

	Surplus property	Retired member annuities	Current member annuities	Professional liability claims	Regulatory matter	Total
	£m	£m	£m	£m	£m	£m
At 1 June 2012	19	477	425	8	–	929
Additional provision in the year	10	17	102	6	–	135
Transfer	–	42	(42)	–	–	–
Utilisation of provision	(6)	(28)	–	(5)	–	(39)
Released	(2)	–	–	–	–	(2)
Unwinding of discount	1	20	19	–	–	40
Adjustment for change in discount rate	–	7	12	–	–	19
Net movement in provision	3	58	91	1	–	153
At 31 May 2013 and 1 June 2013	22	535	516	9	–	1,082
Additional provision in the year	3	17	6	5	14	45
Transfer	–	45	(45)	–	–	–
Utilisation of provision	(6)	(29)	–	(7)	–	(42)
Released	(3)	–	–	–	–	(3)
Unwinding of discount	1	22	23	–	–	46
Adjustment for change in discount rate	–	16	26	–	–	42
Net movement in provision	(5)	71	10	(2)	14	88
At 31 May 2014	**17**	**606**	**526**	**7**	**14**	**1,170**
2014 Income statement charge	1	55	55	5	14	130
2013 Income statement charge	9	44	133	6	–	192

	2014	*2013*
	£m	£m
Included in current liabilities	52	32
Included in non-current liabilities	1,118	1,050
	1,170	**1,082**

Surplus property

The surplus property provision is provided to cover the expected losses on sub-let and vacant properties where expected revenues are less than cost. The provision has been estimated using current costs and has been discounted to present value. Property provisions of £6m (2013: £6m) will be utilised within 12 months and the balance is expected mainly to be utilised within the next five years.

15. Provisions (continued)

Regulatory matter

In July 2005, the Financial Reporting Council (FRC) (formerly the Accountancy and Actuarial Discipline Board) started an investigation into the former general partnership of Deloitte & Touche relating to its conduct as auditors and advisers to the MG Rover Group. This investigation concluded and formal complaints were filed by the FRC in February 2012 concerning corporate finance services on two transactions in 2001 and 2002 provided by Deloitte & Touche. The complaints were heard before a tribunal in March 2013. In September 2013 the tribunal found against the firm, imposing sanctions on the firm which included a fine of £14m. The findings and sanctions are subject to an ongoing appeal such that the sanctions have not taken effect and the fine has not been paid. Whilst the sanctions could be reduced if the appeal is wholly or partially successful, they cannot be increased even if the appeal is unsuccessful. Pending the determination of that appeal, which is expected to be concluded during the year ended 31 May 2015, Deloitte has made a provision of £14m, this being the maximum potential fine and best estimate as required under IAS37 pending conclusion of the appeal, as a current liability within these financial statements. The provision has been classified as a current liability within these financial statements as settlement is scheduled to be made by 31 May 2015, in the event that the appeal is not successful. In the financial statements for the year ended 31 May 2013 this was disclosed as a contingent liability. Deloitte had previously agreed to pay any penalties imposed on the former general partnership.

Retired and current member annuities

The annuities payable to retired and current members are unfunded and are conditional upon the future generation of profits. Payments made under the member Pension Plan are capped each year at 8% of the applicable Group profit.

The provision for retired and current members' annuities is the present value of the future obligation of the Group to provide retirement annuities to members.

The principal actuarial assumptions which have been used in calculating the liabilities, after the application of mortality rates, are as follows:

	2014	*2013*
	%	%
Discount rate	4.1	4.3
Price inflation	3.3	3.4

The discount rate of 4.1% (2013: 4.3%) is based on the yield on the over 15 years AA-rated Corporate Bond Index.

The assumed discount rate, inflation rate and partner profit share increases, all have a significant effect on the provisions. The following table shows the sensitivity of the value of the member annuities to changes in these assumptions.

Assumption	*Change in assumption*	*Impact on annuity provision*	
		(Decrease)/ increase	(Decrease)/ increase
		£m	%
Discount rate	Increase by 0.25%	(53)	(5)
Inflation rate	Increase by 0.25%	52	5
Member profit share increase	Increase by 0.25%	17	3

15. Provisions (continued)

The mortality assumptions applied are consistent with those used for the employee defined benefit scheme and are set out in note 22.

The assumed life expectations on retirement at age 60 are:

	2014	*2013*
	No.	No.
Retiring today:		
Males	29	29
Females	32	32
Retiring in 20 years:		
Males	30	30
Females	34	34

Professional liability claims

The provision for professional liability claims represents the Group's estimate of the potential liability arising from claims that have been notified to the Group. No separate disclosure is made of the cost of claims covered by insurance, as to do so could seriously prejudice the position of the Group.

16. Deferred tax

Deferred taxation provided in the financial statements is set out below:

	2014	*2013*
	£m	£m
At 1 June	1	1
Credit to income	(5)	–
At 31 May (asset)/liability	**(4)**	**1**

Deferred tax liabilities relate to temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes recognised using the liability method. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

17. Members' interests

	Members' capital	*Amounts due to members*	*Provision for current member annuities*	*Members' equity – other reserves*	**Total*
	£m	£m	£m	£m	£m
Members' interests at 1 June 2012	**130**	**26**	**425**	**(858)**	**(277)**
Profit for the financial year	–	–	–	434	434
Allocated profits	–	532	–	(532)	–
Pension Schemes remeasurement	–	–	–	37	37
Movement in provision	–	–	91	–	91
Drawings and distributions	–	(506)	–	–	(506)
Compensating payment due to subsidiary undertakings	–	–	–	(25)	(25)
Capital:					
Introduced	11	–	–	–	11
Repaid	(9)	–	–	–	(9)
Members' interests at 1 June 2013	**132**	**52**	**516**	**(944)**	**(244)**
Profit for the financial year	–	–	–	483	483
Allocated profits	–	483	–	(483)	–
Pension Schemes remeasurement	–	–	–	(2)	(2)
Cash flow hedge loss	–	–	–	(3)	(3)
Movement in provision	–	–	10	–	10
Drawings and distributions	–	(485)	–	–	(485)
Compensating payment due to subsidiary undertakings	–	–	–	(9)	(9)
Capital:					
Introduced	7	–	–	–	7
Repaid	(10)	–	–	–	(10)
Members' interests at 31 May 2014	**129**	**50**	**526**	**(958)**	**(253)**

*Restatement on adoption of the amendment to IAS 19 Employee Benefits (see note 26).

17. Members' interests (continued)

Non-controlling interests amount to £(9)m (2013: £(8)m).

The negative members' interests of £253m arises as a result of the members' distributable profit being determined by the firm's equity accounts, which are based on different accounting policies to the Group accounts, which are prepared under IFRSs. The most significant difference is the provision of retired member annuities of £606m. The liability is conditional on the future generation of profits and is payable over a number of years with £100m payable between 10 and 15 years and £200m payable after 15 years.

Deloitte's profits are allocated according to members' units. The unit allocation is completed after the year end and, accordingly, there was no automatic allocation of profits among the members at 31 May 2014. As a result, the balance of profit available for division among the members as at 31 May 2014 is included in other reserves.

Members' other reserves rank after unsecured creditors and loans, and other debts due to members rank pari passu with unsecured creditors in the event of a winding up.

Members' capital of £3m (2013: £7m) has been included as a current liability and £126m (2013: £125m) has been included as a non-current liability. Members' capital in total is £129m (2013: £132m).

Members' capital contributions are determined by the Board of Partners having regard to the working capital requirements of the business. Individual members' capital contributions are set by reference to the profit sharing unit allocation, determined each year.

18. Joint venture

On 21 March 2011 the Group acquired a 50% interest in Ingeus UK Limited for a consideration of £5m. Ingeus UK Limited was a joint venture between Deloitte LLP and Ingeus Limited and provides services under the Government 'Work Programme', servicing a number of contracts under the welfare-to-work initiative.

On 1 April 2014 the Group entered into an agreement to dispose of its interest in Ingeus UK Limited. On 1 April 2014 the Group reclassified the investment as 'held for sale'. The business contributed £11m to profit before tax for the period 1 June 2013 to 1 April 2014 (2013: £4m), which has been incorporated in the Group's results.

	2014	*2013*
	£m	£m
Aggregate amounts relating to the joint venture:		
Non-current assets	–	15
Current assets	–	20
Non-current liabilities	–	(4)
Current liabilities	–	(23)
Net assets	–	8
Group's share of net assets of the joint venture	**–**	**4**
Aggregate amounts relating to the joint venture:		
Revenue	170	146
Operating expenses	(142)	(136)
Dividend paid	(5)	(2)
Profit	23	8
Group's share of the profit of the joint venture	**11**	**4**

On 30 May 2014 the Group completed the transaction of the disposal of its investment in Ingeus UK Limited and Deloitte LLP received consideration of £26,310,798 which is subject to the final determination through a completion accounts process. The Group has recognised a profit of £10m on the disposal of its interest.

19. Disposal

On 31 January 2014 the Group disposed of its interest in Deloitte & Touche Public Sector Internal Audit Limited for a consideration of £325,000. A loss of £380,000 was recognised on the transaction. The business contributed £5m (2013:£8m) to revenue and £382,000 (2013: £5,000) to profit before tax for the period 1 June 2013 to 31 January 2014, which has been incorporated in the Group's results.

20. Operating lease commitments

There are a number of office facilities under operating leases. The periods of the leases vary and the lease payments are generally subject to periodic reviews. At 31 May 2014, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 2014	*Other 2014*	*Land and buildings 2013*	*Other 2013*
	£m	£m	£m	£m
Operating lease payments which fall due:				
Within one year	60	5	61	5
Within two to five years	203	5	206	5
In more than five years	377	–	391	–
	640	**10**	**658**	**10**

During the year operating lease rental payments of £59m (2013: £59m) (land and buildings) and £6m (2013: £5m) (other) were charged to income. Rental income received of £5m (2013: £5m) has been offset against amounts charged.

21. Contingent liabilities

The Group has no contingent liabilities at 31 May 2014. The guarantees previously provided in relation to Ingeus UK Limited were extinguished on 30 May 2014 when the disposal was completed.

22. Retirement benefit schemes

Defined contribution schemes

Closed arrangements

On 31 January 2013, the Money Purchase Section (MPS) of the Deloitte UK Pension Scheme closed. The assets of the MPS were held separately under Trust and were defined contribution benefits only. The assets and liabilities of the MPS were transferred to the Deloitte Pension Plan (DPP) on 1 November 2013.

In addition, a number of other pension arrangements operated by the Group were also closed on the same date. Employer contributions payable to the closed schemes charged as an expense were nil (2013: £29m).

For employees within the UK (excluding Switzerland, the Channel Islands and Isle of Man), a salary sacrifice arrangement existed for each of the schemes, such that employer contributions were increased to include what would otherwise be the employees' contribution and the employer shared part of its National Insurance saving with employees, known as the SMART uplift. This was paid into the MPS and other schemes in addition to all other employer contributions. Employees were able to opt out of this arrangement.

Open arrangements

On 1 February 2013, a new defined contribution scheme, the DPP was opened for employees in the UK, Jersey and Guernsey (except those who retained the personal pension policy arrangements). Employees within Switzerland and Isle of Man are not eligible to join the DPP. The DPP is a master trust arrangement and the assets are held separately, providing defined contribution benefits only.

For employees within the UK (excluding Switzerland, the Channel Islands and Isle of Man), a salary sacrifice arrangement exists for the DPP, such that employer contributions are increased to include what would otherwise be the employees' contribution and the employer shares part of its National Insurance saving with employees, known as the SMART uplift. This is paid into the DPP in addition to all other employer contributions. Employees are able to opt out of this arrangement.

22. Retirement benefit schemes (continued)

The Group's Personal Pension Plan used for employees within the Isle of Man and a number of Personal Pension policies for some employees within Jersey and Guernsey, remain open to future contributions on a defined contribution basis only.

The total cost charged as an expense of £77m (2013: £29m) represents employer contributions payable to the DPP, with contributions of £5m, relating to the May payroll deduction, being paid to the DPP on 3 June 2014.

Defined benefit schemes

In the UK the Group provides some retirement benefits through the Final Salary Section (FSS) of the Deloitte UK Pension Scheme (pension scheme). The defined benefit sections of the scheme closed to new members in 2001 and to future accrual for remaining active members on 31 January 2013. Under the scheme, employees are entitled to retirement benefits of up to two-thirds of their final salary, subject to HMRC limits, on attainment of retirement ages between 60 and 65 and depending upon their pensionable service. No other post-retirement benefits are provided. The FSS is a funded scheme.

The Pension Scheme's assets are held separately under Trust to meet the long-term pension liabilities for past and present members.

The Pension Scheme's assets are stated at their bid value as at 31 May 2014, which represents fair value. The Pension Scheme's liabilities have been updated by an independent qualified actuary from the most recent triennial actuarial valuation, 30 September 2011, to assess the liabilities as at 31 May 2014.

The liabilities of the Pension Scheme are measured by discounting the best estimate of future cash flows to be paid out by the Pension Scheme using the projected unit credit method. This amount is reflected in the deficit in the balance sheet.

A Recovery Plan was signed on 19 December 2012 setting out the additional contributions to be paid to fund the deficit in the Pension Scheme. The additional contributions will amount to £225m, payable from 1 October 2011 to 30 September 2021 and will be paid by Deloitte LLP.

The Trustee of the Pension Scheme is required by law to act in the interest of all of the beneficiaries of the scheme. The Trustee of the Pension Scheme is responsible for the investment policy with regard to the Pension Scheme's assets.

Pension schemes typically expose the company to actuarial risks such as: investment risk, interest rate risk and longevity risk.

Investment risk

The present value of the defined benefit Pension Scheme liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on Pension Scheme assets is below this rate, it will create a plan deficit. Currently the Pension Scheme has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Pension Scheme liabilities, the Trustee of the Pension Scheme considers it appropriate that a reasonable portion of the Pension Scheme assets should be invested in equity securities and in real estate to leverage the return generated by the Pension Scheme.

Interest risk

A decrease in the bond interest rate will increase the Pension Scheme liability but this will be partially offset by an increase in the return on the Pension Scheme's debt investments.

Longevity risk

The present value of the defined benefit Pension Scheme liability is calculated by reference to the best estimate of the mortality of Pension Scheme participants both during and after their employment. An increase in the life expectancy of the Pension Scheme participants will increase the Pension Scheme's liability.

In addition, the Group provides a pension arrangement for its employees in Switzerland, which is accounted for as a defined benefit scheme in these accounts.

	2014	*2013*
	%	%
The principal actuarial assumptions at the balance sheet date are:		
Discount rate	4.1	4.3
Inflation	3.3	3.4
Future pension increases	3.1	3.2

22. Retirement benefit schemes (continued)

Benefits are valued at the date from which they can be taken without actuarial reduction for early payment.

The valuation at 31 May 2014 assumes that mortality will be in line with 100% for males and 75% for females of SAPS light birth tables with CMI 2011 improvements with a long-term rate of improvement of 1% per annum.

The assumed life expectations on retirement at age 65 are:

	2014	*2013*
	No.	No.
Retiring today:		
Males	23	23
Females	25	25
Retiring in 20 years:		
Males	25	25
Females	27	26

2014 life expectancy rates reflect a scheme specific review of mortality rates undertaken by an independent actuary.

The amount recognised in the balance sheet arising from the obligations in respect of the defined benefit schemes is as follows:

	2014	**2013*
	£m	£m
Fair value of scheme assets	816	756
Present value of scheme obligations	(1,011)	(974)
Deficit in the scheme and liability recognised in the balance sheet	**(195)**	**(218)**

The amounts recognised in the consolidated income statement in respect of the defined benefit schemes are as follows:

	2014	**2013*
	£m	£m
Operating expenses:		
Current service cost	14	18
Curtailment gain	–	(29)
Finance income and cost		
Net interest cost	8	11
	22	**–**

Remeasurements have been reported in the statement of comprehensive income.

***Restatement on adoption of the amendment to IAS 19 Employee Benefits (see note 26).**

22. Retirement benefit schemes (continued)

The movements in the defined benefit schemes' assets were as follows:

	2014	**2013*
	£m	£m
Fair value of scheme assets at 1 June	**756**	**614**
Interest	30	25
Remeasurement of scheme assets	17	94
Contributions from the sponsoring employers	46	44
Contributions from employees	6	5
Benefits paid	(35)	(29)
Exchange movement	(4)	3
Fair value of scheme assets at 31 May	**816**	**756**

The actual return on scheme assets was as follows:

	2014	**2013*
	£m	£m
Remeasurement of scheme assets	17	94
	17	**94**

The expected return on assets is determined using current and projected economic and market factors and after taking independent actuarial advice. The calculation incorporates the expected return on risk-free investments and the historical risk premium associated with other invested assets.

The analysis of the scheme assets at the balance sheet date was as follows:

	Expected return		*Fair value of assets*	
	2014	**2013*	*2014*	**2013*
	%	%	£m	£m
Equity instruments	8.0	8.0	383	391
Private equity	8.0	8.0	36	28
Absolute return funds	6.8	5.9	32	26
Corporate bonds	4.3	4.3	127	109
Property	5.8	8.0	70	53
Other	2.3	0.9	168	149
	7.0	**6.8**	**816**	**756**

***Restatement on adoption of the amendment to IAS 19 Employee Benefits (see note 26).**

22. Retirement benefit schemes (continued)

The changes in defined benefit obligations were as follows:

	2014	**2013*
	£m	£m
Present value of defined benefit obligations at 1 June	**974**	**911**
Current service cost	14	18
Curtailment gain	–	(29)
Interest cost	38	37
Contributions from employees	5	5
Remeasurement of scheme liabilities – financial assumptions	16	69
Remeasurement of scheme liabilities – demographic assumptions	4	(14)
Remeasurement of scheme liabilities – liability experience	(1)	2
Benefits paid	(35)	(29)
Exchange movement	(4)	4
Present value of defined benefit obligation at 31 May	**1,011**	**974**

The analysis of the remeasurements recognised in the statement of comprehensive income is as follows:

	2014	**2013*
	£m	£m
Remeasurement of scheme assets	17	94
Remeasurement of scheme liabilities	(19)	(57)
Total remeasurements	**(2)**	**37**
Cumulative amount of remeasurements recognised in the statement of comprehensive income	**(207)**	**(205)**

There is no tax impact on the actuarial loss reflected in the statement of comprehensive income.

The amount of contributions paid to the schemes during the current financial year is £46m. The payment contributes toward eliminating the deficit.

***Restatement on adoption of the amendment to IAS 19 Employee Benefits (see note 26).**

22. Retirement benefit schemes (continued)

The assumed discount rate, inflation rate, salary increases and mortality all have a significant effect on the valuation. The following table shows the sensitivity of the value of the defined benefit obligations to changes in these assumptions.

Assumption	*Change in assumption*	*Impact on annuity provision*	
		(Decrease)/ increase	*(Decrease)/ increase*
		£m	%
Discount rate	Increase by 0.25%	(35)	(4)
Inflation rate	Increase by 0.25%	26	3
Mortality	Increase by 1 year	23	3

***Restatement on adoption of the amendment to IAS 19 Employee Benefits (see note 26).**

23. Financial instruments

Capital structure

The Group is financed by member capital and private placement. The private placement details are set out in note 14 and are subject to finance and foreign exchange risk. The Group has a number of hedges in place to mitigate these risks. Details of the hedge are set out below. In addition, the short-term working capital requirements of the Group will be met by the bank facilities. The Group's capital structure and treasury policies are regularly reviewed to ensure that they remain relevant to the business and its plans for growth. The Group aims to minimise the level of short-term borrowing and this is achieved through the active management and targeting of receivables, client receivables and amounts due to be billed to clients. A number of entities within the Group are regulated by the Financial Conduct Authority and, as such, are subject to certain regulatory capital requirements. These requirements were met throughout the financial year.

Financial instruments

Financial instruments comprise unquoted investments, loans, short-term borrowings, cash, client and other receivables and trade and other payables, amounts due to and from other member firms of the DTTL organisation, members' capital and amounts due from members. Financial instruments give rise to liquidity, credit, interest rate and foreign currency risks. Information about these risks and how they are managed is set out below.

23. Financial instruments (continued)

The carrying amounts of financial instruments are as follows:

	2014	*2013*
	£m	£m
Financial assets		
Unquoted investments	2	2
Client receivables	383	400
Amounts to be billed to clients	269	261
Amounts due from other member firms of the DTTL organisation	29	26
Other receivables	17	12
Cash and deposits	75	14
Loans and receivables	775	715
Financial liabilities		
Amounts due to other member firms of the DTTL organisation	22	25
Member capital	129	132
Bank overdraft	–	15
Bank loans	–	100
Amounts due to members	50	52
Private Placement Loan Notes	100	–
Cash flow hedge	3	–
Trade payables	34	27
Other payables	23	10
Liabilities at amortised cost	361	361
Total net financial instruments	**414**	**354**

Fair Values

The following table presents an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1-3 based on the degree to which fair value is observable:

Level 1 those fair values derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 those fair values derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 those fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

23. Financial instruments (continued)

Valuation Technique

Level 2 fair values are derived from future cash flows, of open forward contracts at 31 May, translated by the difference between contractual rates and observable forward exchange rates. The Group has a team that performs valuations of financial assets required for financial reporting purposes. This team reports to the Managing Partner, Finance.

	2014 Level 2 £m	*2014 Total* £m
Assets		
Foreign exchange contracts – cash flow hedges	–	–
Total assets	**–**	**–**
Liabilities		
Foreign exchange contracts – cash flow hedges	3	3
Total liabilities	**3**	**3**

Liquidity risk

The ultimate responsibility for liquidity risk management lies with the Executive Group, which has developed an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities and by continually monitoring forecast and actual cash flows.

Liquidity risk arises from the Group's ongoing financial obligations, including settlement of financial liabilities such as trade and other payables. The Group's financing requirements vary during the year, partly as a result of payments to and on behalf of members and, partly, as a result of other major payments such as leasehold improvements.

Cleared funds held at banks are monitored on a daily basis and surplus amounts are placed on short-term deposits or invested on the money market. It is the Group's policy to invest surplus amounts for periods of up to three months. At the year end all surplus funds were held in either 'on demand' accounts or on the money market. Funds in the Group's captive insurance company are placed on deposit for periods of up to three months.

In addition to the Private Placement Loan Notes of £100m, the Group has total borrowing facilities of £484m with leading international banks. These facilities include a five year revolving credit facility of £150m which is due to expire in July 2018 and a five year revolving credit facility of £150m which is due to expire in December 2016, a revolving credit facility of £50m which expires in January 2017 and a £100m overdraft facility which is due to expire between September 2014 and December 2014. A renewal of the facilities, based on forecast requirements, will be negotiated with expected renewal at satisfactory levels. In addition, the Group has a £34m committed facility which is indefinite. At 31 May 2014 the Group had available £484m (2013: £319m) of undrawn committed and uncommitted borrowing facilities in respect of which all conditions precedent had been met. These facilities are considered more than adequate to finance variations in working capital.

Trade payables of £34m (2013: £27m) mature within one year. Member capital of £129m (2013: £132m) is repayable when the member retires. Under the Partnership Agreement members must give six months' notice ending on 31 May if they wish to retire. However, this can be shortened by mutual agreement. This element of members' capital, £3m (2013: £7m), will be repaid within 12 months and has been disclosed as a current liability. The earliest date for repayment of all other member capital £126m (2013: £125m) is 7 June 2015 and, therefore, this has been disclosed as a non-current liability. The amount of undiscounted cash outflows for financial liabilities is equal to their carrying amount as both trade payables and member capital are non-interest bearing.

23. Financial instruments (continued)

Credit risk

Credit risk primarily refers to the risk that a client will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy clients. Credit risk also arises from amounts to be billed to clients, amounts due from other member firms of DTTL, loans, cash and cash equivalents and guarantees.

Client receivables consist of a large number of clients, spread across diverse industries and geographical areas and covering a wide range in terms of credit quality. Ongoing credit evaluation is performed on the financial condition of client receivables and the Group does not have any significant credit risk exposure to any single client or any group of clients having similar characteristics. Unbilled receivables are typically billed to clients within a month of arising and invoices are generally payable within 30 days or as per the agreed engagement terms.

All work carried out on behalf of other member firms of DTTL is subject to a DTTL member firm agreement, which specifies the exact terms and conditions of each engagement. Invoices are generally payable upon presentation. The credit risk arising from amounts owed by DTTL member firms is deemed to be low and is, therefore, accepted by the Group. None of the amount receivable from DTTL member firms is considered to be impaired.

The credit risk on liquid funds is limited, because the leading banks used are those with high credit ratings (long-term A as a minimum) assigned by international credit rating agencies and cash deposits are placed only with the Group's relationship banks.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk. This amount is:

	2014	*2013*
	£m	£m
Financial assets	775	715
Total credit risk	**775**	**715**

Interest rate risk

Interest rate risk arises from cash and cash equivalents and interest-bearing investments and loans. Interest on cash and cash deposits of £75m (2013: £14m) is earned at a variable rate linked to LIBOR. Interest on short-term borrowings is paid at a variable rate linked to LIBOR. Investments include unquoted investments which are not interest-bearing. It is recognised that interest rates are liable to fluctuate and the Group accepts this risk and does not consider it to be material to the Group.

Foreign currency risk

The Group is exposed to exchange rate fluctuations since it undertakes certain transactions denominated in foreign currencies. The Group's income and expenditure is primarily in Pounds Sterling. However, some fees and costs are denominated in foreign currencies, as are the transactions of the Swiss subsidiaries and transactions with DTTL member firms.

The Group is mainly exposed to Euro, U.S. Dollar and Swiss Franc foreign currency risk. The Group has managed its U.S. Dollar receipt of $144m, relating to the Private Placement Loan Notes, through a cross currency swap. The terms are identical to the loan notes received. Balances in foreign currency bank accounts are held to facilitate cash management and, on occasion, to provide an economic hedge of future foreign currency expenditure. The Group has no other significant assets or liabilities denominated in currencies other than Pounds Sterling. It is recognised that exchange rates are liable to fluctuate and the Group accepts this risk and does not consider it to be material to the Group.

The following table is a summary of the Group's net foreign currency-denominated monetary assets:

	2014	*2013*
	£m	£m
Euro	13	7
U.S. Dollar	34	14
Swiss Franc	6	3
	53	**24**

23. Financial instruments (continued)

All monetary financial assets and liabilities are receivable or payable within one year.

Foreign currency sensitivity analysis

The following tables detail the Group's sensitivity to a 10% increase and decrease in the Pounds Sterling amount against the relevant currencies. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts the translation at the year end for a 10% change in exchange rates. A positive number below indicates an increase in profit where Sterling strengthens 10% against the relevant currency. For a 10% weakening of Pounds Sterling against the relevant currency, there would be an equal and opposite impact on profit.

	Euro currency impact		*U.S. Dollar currency impact*		*Swiss Franc currency impact*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
	£m	£m	£m	£m	£m	£m
Profit or loss	1	1	3	1	1	–

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the potential changes in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 May 2014 would decrease/increase by a negligible amount (2013: negligible amount).

Fair value

The estimated fair values of all financial instruments of the Group are approximate to their book values as at 31 May 2014 and 31 May 2013 largely owing to their short-term maturity. All monetary financial assets and liabilities other than Private Placement Loan Notes, are receivable and repayable on demand or within one year.

Hedges – Private Placement Loan Notes

Cash flow hedges

The cash flow hedges were assessed to be highly effective at 31 May 2014 and a net unrealised loss of £3m has been recorded in other comprehensive income.

At 31 May 2014, the Group had cross-currency swaps in place whereby it received a fixed interest rate of 3.78% and 4.4% on a notional amount of US$144m (2013: US$ nil) and paid a spread of between 3.69% and 4.23% on a notional sterling balance of £90m.

The swaps with maturities beyond the life of the current revolving credit facilities (2018) are in place to hedge against the core level of debt the Group will hold.

24. Related party transactions

Transactions between Deloitte LLP (parent LLP) and its subsidiaries, which are related parties, have been eliminated on consolidation. These transactions include management charges from the parent LLP and charges for the costs of shared services. All balances with subsidiary undertakings are non-interest-bearing.

In addition to transactions entered into between the parent LLP and the subsidiaries, the parent LLP also manages the treasury functions of the Group. As a result, cash is periodically transferred from the subsidiaries to the parent LLP.

Members of the Executive Group are recognised as the Group's key management personnel and their remuneration is regarded as a related party transaction. The share of profit allocated to the members of the Executive Group during the year amounted to £24m (2013: £22m).

The Group has entered into an arrangement with the Pension Scheme Trustee to address the current scheme deficit. Full details of this arrangement are set out in note 22.

Related party transactions with Associates

Transactions with the Deloitte CIS Holdings Limited include services provided by Deloitte LLP and its subsidiaries of £4m (2013: £3m), of which £1m (2013: £1m) is owed by the Deloitte CIS Holdings Limited at the year end. Services of £5m (2013: £4m) were provided to Deloitte LLP and its subsidiaries, of which £1m (2013: £1m) is owed at the year end.

Transactions with Deloitte Global Advisory India Private Limited include services provided by Deloitte Global Advisory India Private Limited to Deloitte LLP of £2m (2013: £nil), of which £72,000 (2013: £nil) is owed at the year end.

Related party transactions with Joint Venture

Transactions with Ingeus UK Limited include services provided by Deloitte LLP to Ingeus UK Limited of £1.2m (2013: £1m). In addition, Deloitte LLP reimbursed costs of £nil (2013: £10,000) incurred by Ingeus UK Limited. Deloitte LLP received a dividend of £5m from Ingeus UK Limited on 5 November 2013. Ingeus UK Limited was disposed of in May 2014 and is no longer a related party.

25. Subsidiary undertakings and associates

The financial statements consolidate the results and financial position of the Group, including principal subsidiary undertakings listed below:

Principal subsidiary undertakings	*Holding*	*Proportion of voting rights and shares held*	*Country of incorporation/ registration*	*Nature of business*
Deloitte MCS Limited	Ordinary	100%	England and Wales	Consulting services
Deloitte PCS Limited	Ordinary	100%	England and Wales	Personal financial services
Deloitte Total Reward and Benefits Limited	Ordinary	100%	England and Wales	Investment advisory services
Deloitte Limited	Ordinary	100%	England and Wales	Service company and employment of staff
Deloitte & Touche Management AG	Ordinary	100%	Switzerland	Management company
Deloitte AG	Ordinary	100%	Switzerland	Professional services
Deloitte Consulting AG	Ordinary	100%	Switzerland	Consulting services
Deloitte Corporate Finance Limited	Ordinary	50%	United Arab Emirates	Financial advisory services
Deloitte CIS Limited	Ordinary	60%	England and Wales	Management company
Monitor Company Europe	Ordinary	100%	England and Wales	Consulting services
Monitor Company GmbH	Ordinary	100%	Switzerland	Consulting services
Associate				
Deloitte CIS Holdings Limited	Ordinary	60%	Guernsey	Professional services
Deloitte Global Advisory India Private Limited	Ordinary	33.3%	India	Professional Services

Other Group entities

The Group has an interest in a partnership, Deloitte Scotland Limited Partnership, which is fully consolidated into these Group accounts. The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of this qualifying partnership to these accounts. Separate accounts for the partnership are not required to be, and have not been, filed at Companies House.

26. Change of accounting policy

Upon the adoption of IAS 19 on 1 January 2013, the Group has restated prior period information, which has had the following impact on reported profit and earnings per share:

Income Statement

	2013
	£m
As previously reported	610
Impact of amendments to IAS 19 Employee Benefits	(11)
As restated	**599**

Statement of comprehensive income

	2013
	£m
As previously reported	439
Impact of amendments to IAS 19 Employee Benefits	(11)
As restated	**428**

As described in note 1, the amendment to IAS 19 has changed the accounting for defined benefit schemes and termination benefits. The interest cost and expected return on scheme assets used in the previous version of IAS 19 have been replaced with a 'net interest' amount which is calculated by applying a discount rate to the net defined benefit obligation. This amendment has a corresponding impact on re-measurements recognised in the statement of comprehensive income, with no overall change to the net retirement benefit liability in the balance sheet. Furthermore, certain costs previously recorded as part of finance expenses have now been presented within administrative expenses.

Report of the Independent Auditor to the Members of Deloitte LLP

Independent auditor's report to the members of Deloitte LLP

We have audited the parent entity financial statements of Deloitte LLP for the year ended 31 May 2014 which comprise the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied to limited liability partnerships by the Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the partnership and members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement on page 8 the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/apb/scope/private.cfm**.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the parent limited liability partnership's affairs as at 31 May 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent limited liability partnership's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have reported separately on the group financial statements of Deloitte LLP for the year ended 31 May 2014.

Simon Bevan
Senior Statutory Auditor for and on behalf of Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
London
12 August 2014

Deloitte LLP Parent Entity Balance Sheet
As at 31 May 2014

	Note	2014	*2013
		£m	£m
Assets			
Fixed assets			
Intangible assets	3	3	5
Tangible assets	4	109	117
Interest in joint venture	9	–	5
Investments	5	46	46
		158	173
Current assets			
Debtors	6	625	669
Cash at bank and in hand		57	1
		682	670
Total assets		**840**	**843**
Liabilities			
Creditors: amounts falling due within one year			
Trade creditors	7	396	500
Bank loans and overdrafts	8	–	121
Members' capital	12	3	7
		399	628
Creditors: amounts falling due after more than one year			
Defined benefit pension plan deficit	11	106	129
Provisions	10	1,166	1,077
Bank loans and overdrafts	8	103	–
Members' capital	12	126	125
		1,501	1,331
Equity			
Members' other reserves	12	(1,060)	(1,116)
Total liabilities		**840**	**843**

*Restatement on adoption of IFRIC 14.

Deloitte LLP Parent Entity Balance Sheet
As at 31 May 2014

	2014	**2013*
	£m	£m
Members' interests		
The following balances relating to members are included in the balance sheet:		
Members' capital	129	132
Amounts due to members	40	169
Members' other reserves – current members	(1,060)	(1,116)
Members' interests for current members	**(891)**	**(815)**
Provision for annuities dependent upon future generation of profits		
Provision for current member annuities	526	516
Provision for retired member annuities	606	535
Total members' interests before annuities payable from future profits	**241**	**236**

*Restatement on adoption of IFRIC14.

The financial statements on pages 55 to 67 were approved by the Board on 12 August 2014

Signed on behalf of the Board,

David Sproul
Senior Partner and Chief Executive

Stephen Griggs
Managing Partner, Finance

Deloitte LLP Parent Entity Statement of Changes in Equity
Year ended at 31 May 2014

	2014	**2013*
	£m	£m
Members' other reserves at the start of the year	**(1,116)**	**(951)**
Profit for the year attributable to members	381	379
Changes in minimum funding liability	(2)	–
Cash flow hedge loss arising during the year	(3)	–
Remeasurement on defined benefit pension schemes	(4)	13
Total comprehensive income	**372**	**392**
Profit allocated to members during the year	(307)	(532)
Other transactions with members	(9)	(25)
Members' other reserves at the end of the year	**(1,060)**	**(1,116)**

*Restatement on adoption of IFRIC 14.

Notes to the Deloitte LLP Parent Entity Financial Statements
Year ended 31 May 2014

1. Accounting policies

The principal accounting policies adopted in the preparation of the parent entity financial statements together with the critical accounting judgements and key sources of estimation are the same as those set out on pages 18 to 24 of the consolidated financial statements. Any accounting policies in addition to those applied in the preparation of the consolidated financial statements are detailed below. These policies have been consistently applied throughout the year and the preceding year following application of FRS 101. As described in note 17 of the consolidated financial statements only capital relating to partners who have agreed to retire during the following financial year has been classified as a current liability.

Basis of accounting

Deloitte LLP meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year end 31 May 2014 Deloitte LLP has undergone transition from reporting under IFRS to FRS 101 as issued by the Financial Reporting Council. The financial statements for Deloitte LLP have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework'. The Company's 2013 financial statements were prepared under IFRS, the transition to FRS 101 is not considered to have had a material effect on the parent's reported financial position, or financial performance in either the current or preceding financial year.

As permitted by FRS 101, Deloitte LLP has taken advantage of the disclosure exemptions available in relation to financial instruments, presentation of a cash flow statement, standards in issue not yet effective and related party transactions and the presentation of comparative information in respect of certain assets.

The financial statements have been prepared under the historical cost convention as amended for the revaluation of derivative financial instruments.

Investments

Fixed asset investments in subsidiaries and investments in joint ventures are shown at cost less provision for impairment.

2. Profit and loss account

No individual profit and loss account is presented for Deloitte LLP as permitted by section 408 of the Companies Act 2006.

The auditor's remuneration for audit services to Deloitte LLP was £0.2m (2013: £0.2m).

3. Intangible assets

	IT Software	*Customer relationships, order books, brands and contracts*	*Total*
	£m	£m	£m
Cost			
At 1 June 2013 and 31 May 2014	17	4	21
Amortisation			
At 1 June 2013	12	4	16
Charge for the year	2	–	2
At 31 May 2014	14	4	18
Carrying Value			
At 31 May 2014	3	–	3
At 31 May 2013	5	–	5

4. Tangible fixed assets

	Leasehold improvements	*Computer equipment*	*Fixtures and fittings*	*Motor vehicles*	*Total*
	£m	£m	£m	£m	£m
Cost					
At 1 June 2013	169	71	45	24	309
Additions	9	–	–	5	14
Disposals	(3)	(8)	(1)	(6)	(18)
At 31 May 2014	175	63	44	23	305
Depreciation					
At 1 June 2013	81	68	34	9	192
Charge for the year	12	2	2	3	19
Disposals	(2)	(8)	(1)	(4)	(15)
At 31 May 2014	91	62	35	8	196
Net Book Value					
At 31 May 2014	**84**	**1**	**9**	**15**	**109**
At 31 May 2013	**88**	**3**	**11**	**15**	**117**

Capital commitments contracted but not provided for as at 31 May 2014 amounted to £17m (2013: £15m).

5. Investments

	Investment in subsidiaries	*Investment in associates*	*Total*
	£m	£m	£m
Valuation Cost			
1 June 2013 and 31 May 2014	48	3	51
Provision			
1 June 2013 and 31 May 2014	4	1	5
Carrying Amount			
At 31 May 2014	**44**	**2**	**46**
At 31 May 2013	**44**	**2**	**46**

A list of investments held by Deloitte LLP is set out in note 25 of the consolidated financial statements.

On 31 January 2014 Deloitte LLP disposed of its interest in Deloitte & Touche Public Sector Internal Audit Limited. (Share capital of £100 was sold). Details of the disposal are disclosed in note 19 of the consolidated financial statements.

6. Debtors

	2014	*2013*
	£m	£m
Client receivables	252	267
Amounts due from other member firms of the DTTL organisation	14	7
Trade debtors	266	274
Amounts to be billed to clients	205	198
Amounts owed by Group undertakings	152	193
Other debtors	1	1
Prepayments and accrued income	1	3
	625	**669**

Included within "Amounts owed by Group undertakings" is a subordinated loan of £2m (2013: £2m) due from Deloitte Total Reward and Benefits Limited. Deloitte LLP has subordinated its right of repayment, in favour of any other creditor of Deloitte Total Reward and Benefits Limited. The loan is subject to five years notice of repayment and bears interest at 1% over Barclays Bank PLC base rate ruling of the previous year end date.

7. Creditors: amounts falling due within one year

	2014	*2013*
	£m	£m
Progress billings for client work	31	35
Trade creditors	3	2
Amounts due to other member firms of the DTTL organisation	17	17
Amounts due to Group undertakings	224	192
Amounts due to members	40	169
Other taxation and social security	25	31
Other creditors	8	4
Accruals and deferred income	48	50
	396	**500**

8. Bank loans and overdrafts

Private Placement Loan Notes

Deloitte LLP holds loan notes with coupons and maturities as shown in the following table:

Title	*Year Issued*	*Principal Value*	*Maturity*	*Semi Annual Coupon*
Series A	2013	US$18m	23 October 2020	3.78%
Series B	2013	US$126m	23 October 2023	4.40%
Series C	2013	£10m	23 October 2023	4.16%

Interest is payable on 23 October and 23 April each year of the term of the loan note. The loan notes rank pari-passu with other creditors and are unsecured.

Deloitte LLP entered into a number of cross-currency swap agreements in relation to the loan notes to eliminate any foreign exchange risk on interest rates or on the repayment of the principal borrowed. These swaps expire in line with the loan notes and are discussed in note 23 of the consolidated financial statements.

8. Bank loans and overdrafts (continued)

	2014 £m	*2013* £m
Unsecured borrowings		
At amortised cost		
Bank overdrafts	–	21
Bank loans	–	100
Private placement notes	100	–
At fair value		
Foreign exchange contracts – cash flow hedges	3	–
	103	**121**
Total borrowings		
Amount due for settled within 12 months	–	121
Amount due for settlement after 5 years	103	–
	103	**121**

At the 31 May 2014 the parent entity held nil (2013: two) short-term unsecured bank loans, drawn under the committed facilities.

9. Joint venture

On 21 March 2011 Deloitte LLP acquired a 50% interest in Ingeus UK Limited for a consideration of £5m. Ingeus UK Limited was a joint venture between Deloitte LLP and Ingeus Limited and provides services under the Government 'Work Programme' servicing a number of contracts under the welfare-to-work initiative.

On 1 April 2014 Deloitte LLP entered into an agreement to dispose of its interest in Ingeus UK Limited. On 1 April Deloitte LLP reclassified the investment as 'held for sale'. The business contributed £11m to profit before tax for the period 1 June 2013 to 1 April 2014 (2013: £4m).

On 30 May 2014 Deloitte LLP completed the transaction of the disposal of its investment in Ingeus UK Limited and Deloitte LLP received consideration of £26,310,798 which is subject to the final determination through a completion accounts process.

10. Provisions

	Surplus property £m	*Retired member annuities* £m	*Current member annuities* £m	*Professional liability claims* £m	*Regulatory matter* £m	*Total* £m
At 1 June 2013	17	535	516	9	–	1,077
Additional provision in the year	3	17	6	5	14	45
Transfer	–	45	(45)	–	–	–
Utilisation of provision	(6)	(29)	–	(7)	–	(42)
Released	(2)	–	–	–	–	(2)
Unwinding of discount	1	22	23	–	–	46
Adjustment for change in discount rate	–	16	26	–	–	42
Net movement in provision	(4)	71	10	(2)	14	89
At 31 May 2014	**13**	**606**	**526**	**7**	**14**	**1,166**
2014 Profit and Loss	2	55	55	5	14	131
2013 Profit and Loss	4	44	133	6	–	187

Further information relating to each class of provision can be found in note 15 of the consolidated financial statements.

10. Provisions (continued)

	2014	2013
	£m	£m
Amounts falling due within one year	48	32
Amounts falling due after more than one year	1,118	1,045
	1,166	**1,077**

11. Retirement benefit schemes

Defined contribution scheme

Closed arrangements

On 31 January 2013, the Money Purchase Section (MPS) of the Deloitte UK Pension Scheme closed. The assets of the MPS are held separately under Trust and were defined contribution benefits only.

In addition, a number of other pension arrangements operated by the Group were also closed on the same date.

As set out on page 42 of the Group Financial Statements there was a transfer of assets and liabilities of the MPS to the DPP on 1 November 2013.

Defined benefit scheme

Closed arrangements

On 31 January 2013, the Final Salary Section (FSS) of the Deloitte UK Pension Scheme closed to future accrual. The assets of the FSS are held separately under Trust and are defined benefit scheme contributions only.

The amount recognised in the profit and loss account in respect of the defined benefit scheme is £8m (2013: £12m credit). The credit in 2013 arises from a curtailment gain of £29m relating to the closure of the scheme to future accrual.

Details can be found on page 42 of the consolidated financial statements.

Defined benefit scheme

In the UK Deloitte LLP provides some retirement benefits through the Final Salary Section (FSS) of the Deloitte UK Pension Scheme (Pension Scheme). The defined benefit sections of the scheme had closed to new members in 2001 and to future accrual for remaining active members on 31 January 2013. Under the scheme, employees are entitled to retirement benefits of up to two-thirds of their final salary, subject to HMRC limits, on attainment of retirement ages between 60 and 65 and depending upon their pensionable service. No other post-retirement benefits are provided. The FSS is a funded scheme.

The Pension Scheme assets are held separately under Trust to meet the long-term pension liabilities for past and present members.

The Pension Scheme assets are stated at their bid value as at 31 May 2014, which represents fair value. The Pension Scheme liabilities have been updated by an independent qualified actuary from the most recent triennial actuarial valuation, 30 September 2011, to assess the liabilities as at 31 May 2014.

The liabilities of the Pension Scheme are measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit credit method. This amount is reflected in the deficit in the balance sheet.

A Recovery Plan was signed on 19 December 2012 setting out the additional contributions to be paid to fund the deficit in the Pension Scheme. These additional contributions will amount to £225m, payable from 1 October 2011 to 30 September 2021 and these additional contributions will be paid by Deloitte LLP.

The Trustee of the Pension Scheme is required by law to act in the interest of all of the beneficiaries of the scheme. The Trustee of the Pension Scheme is responsible for the investment policy with regard to the Pension Scheme's assets.

Pension schemes typically expose the entity to actuarial risks such as: investment risk, interest rate risk and longevity risk.

11. Retirement benefit scheme (continued)

Investment risk

The present value of the defined benefit Pension Scheme liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on Pension Scheme assets is below this rate, it will create a plan deficit. Currently the Pension Scheme has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Pension Scheme liabilities, the Trustee of the Pension Scheme consider it appropriate that a reasonable portion of the Pension Scheme assets should be invested in equity securities and in real estate to leverage the return generated by the Pension Scheme.

Interest risk

A decrease in the bond interest rate will increase the Pension Scheme liability but this will be partially offset by an increase in the return on the Pension Scheme's debt investments.

Longevity risk

The present value of the defined benefit Pension Scheme liability is calculated by reference to the best estimate of the mortality of Pension Scheme participants both during and after their employment. An increase in the life expectancy of the Pension Scheme participants will increase the Pension Scheme's liability.

	2014	*2013*
	%	%
The principal actuarial assumptions at the balance sheet date are:		
Discount rate	4.1	4.3
Inflation	3.3	3.4
Future pension increases	3.1	3.2

Benefits are valued at the date from which they can be taken without actuarial reduction for early payment.

The valuation at 31 May 2014 assumes that mortality will be in line with 100% for males and 75% for females of SAPS light birth tables with CMI 2011 improvements with a long-term rate of improvement of 1% per annum.

The assumed life expectations on retirement at age 65 are:

	2014	*2013*
	No.	No.
Retiring today:		
Males	23	23
Females	25	25
Retiring in 20 years:		
Males	25	25
Females	27	26

2014 life expectancy rates reflect a scheme specific review of mortality rates undertaken by an independent actuary.

***Restatement on adoption of IFRIC14 and the amendment to IAS 19.**

11. Retirement benefit scheme (continued)

The amount recognised in the balance sheet arising from the obligations in respect of the defined benefit scheme is as follows:

	2014	**2013*
	£m	£m
Fair value of scheme assets	777	721
Present value of scheme obligations	(881)	(847)
Changes in minimum funding liability	(2)	(3)
Deficit in the scheme and liability recognised in the balance sheet	**(106)**	**(129)**

In accordance with the requirements of IFRIC 14, Deloitte LLP has recognised an additional liability of £2m and restated the 2013 financial statements recognising a liability of £3m.

The actual return on scheme assets was as follows:

	2014	**2013*
	£m	£m
Remeasurement of scheme assets	18	94
	18	**94**

The movements in the defined benefit scheme's assets were as follows:

	2014	**2013*
	£m	£m
Fair value of scheme assets at 1 June	**721**	**590**
Remeasurement of scheme assets	18	94
Contributions from the sponsoring employers	34	34
Benefits paid	(24)	(21)
Interest	28	24
Fair value of scheme assets at 31 May	**777**	**721**

***Restatement on adoption of IFRIC14 and the amendment to IAS 19.**

11. Retirement benefit scheme (continued)

The expected return on assets is determined using current and projected economic and market factors and after taking independent actuarial advice. The calculation incorporates the expected return on risk-free investments and the historical risk premium associated with other invested assets.

The analysis of the scheme assets at the balance sheet date was as follows:

	Expected return		*Fair value of assets*	
	2014	*2013*	*2014*	**2013*
	%	%	£m	£m
Equity instruments	8.0	8.0	383	391
Private equity	8.0	8.0	36	28
Absolute return funds	6.8	5.9	32	26
Corporate Bonds	4.3	4.3	127	109
Property	5.8	8.0	70	53
Other	2.3	0.9	129	114
	7.0	**6.8**	**777**	**721**

Included in Other is Deloitte LLP's investment of £70m (2013: £70m) in Deloitte Scotland Limited Partnership.

The changes in defined benefit obligations were as follows:

	2014	**2013*
	£m	£m
Present value of defined benefit obligations at 1 June	**847**	**786**
Current service costs	–	6
Curtailment gain	–	(29)
Interest cost	36	34
Remeasurement of scheme liabilities – financial assumptions	2	67
Remeasurement of scheme liabilities – demographic assumptions	4	–
Remeasurement of scheme liabilities – liability experience	16	4
Benefits paid	(24)	(21)
Present value of defined benefit obligations at 31 May	**881**	**847**

*Restatement on adoption of IFRIC 14 and the amendment to IAS 19.

11. Retirement benefit scheme (continued)

The assumed discount rate, inflation rate, salary increases and mortality all have a significant effect on the valuation. The following table shows the sensitivity of the value of the defined benefit obligations to changes in these assumptions.

Assumption	*Change in assumption*	*Impact on annuity provision*	
		(Decrease)/ increase	*(Decrease)/ increase*
		£m	%
Discount rate	Increase by 0.25%	(35)	(4)
Inflation rate	Increase by 0.25%	26	3
Mortality	Increase by 1 year	23	3

In 2010, Deloitte LLP made a special contribution of £70m to the Deloitte UK Pension Scheme ('Pension Scheme'). The Pension Scheme invested £70m in Deloitte Scotland Limited Partnership (SLP). The Pension Scheme will invest in this asset for up to 15 years until 30 September 2025 at which point the Scheme's investment will be valued and redeemed. The redemption value of the investment will be the lower of £74.5 million or the deficit in the Scheme at that time, with a minimum payment of £0.5m. The Pension Scheme will be entitled to an annual income from this investment, based on an annual rate of interest designed to reflect the pre- and post-retirement discount rates, used to determine the technical provisions of the Pension Scheme of successive actuarial valuations. In 2014 the Pension Scheme received £4.3m (2013: £4.9m) income from the investment. The investment carrying value at 31 May 2014 was £65.1m (2013: £67.3m).

Under IAS 19, the interest in SLP does not represent a plan asset for group reporting purposes and has, therefore, not been deducted in arriving at the pension scheme deficit presented in these financial statements. Also, distributions from SLP to the Pension Scheme are reflected in these Group accounts on a cash basis as contributions paid.

12. Members' Interests

	Members' capital	*Amounts due to members*	*Provision for current member annuities*	*Members' equity – other reserves*	*Total*
	£m	£m	£m	£m	£m
Members' interests at 1 June 2013	**132**	**169**	**516**	**(1,116)**	**(299)**
Profit for the financial year	–	–	–	381	381
Allocated profits	–	307	–	(307)	–
Pension Scheme changes in minimum funding	–	–	–	(2)	(2)
Pension Scheme remeasurement	–	–	–	(4)	(4)
Cash flow hedge loss	–	–	–	(3)	(3)
Movement in provision	–	–	10	–	10
Drawings and distributions	–	(436)	–	–	(436)
Compensating payment due to subsidiary undertakings	–	–	–	(9)	(9)
Capital:					
Introduced	7	–	–	–	7
Repaid	(10)	–	–	–	(10)
Members' interests at 31 May 2014	**129**	**40**	**526**	**(1,060)**	**(365)**

12. Members' Interests (continued)

Members' other reserves rank after unsecured creditors and loans; other debts due to members rank pari passu with unsecured creditors in the event of a winding up.

Members' capital of £3m (2013: £7m) has been included as a current liability and £126m (2013: £125m) has been included as a non-current liability. Member capital in total is £129m (2013: £132m).

Members' capital contributions are determined by the Board having regard to the working capital requirements of the business. Individual members' capital contributions are set by reference to the profit sharing unit allocation, determined each year.

13. Operating lease commitments

There are a number of office facilities under operating leases. The periods of the leases vary and the lease payments are generally subject to periodic reviews. At 31 May 2014, Deloitte LLP had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 2014	*Other 2014*	*Land and buildings 2013*	*Other 2013*
	£m	£m	£m	£m
Operating lease payments which fall due:				
Within one year	48	1	49	1
Within two to five years	164	2	165	2
In more than five years	330	–	337	–
	542	**3**	**551**	**3**

During the year operating lease rental payments of £50m (land and buildings) and £5m (other) were charged to income.

14. Related party transactions

The parent has taken advantage of the exemption available under FRS 101 not to disclose related party transactions with fellow eligible group entities.

Deloitte LLP has entered into an arrangement with the Pension Scheme Trustee to address an element of the current scheme deficit. Full details of this arrangement are set out in note 22 of the consolidated financial statements.

Related party transactions with Associates

Transactions with the Deloitte CIS Holdings Limited include services provided by Deloitte LLP and its subsidiaries of £4m (2013: £3m), of which £1m (2013: £1m) is owed by the Deloitte CIS Holdings Limited at the year end. Services of £5m (2013: £4m) were provided to Deloitte LLP and its subsidiaries, of which £1m (2013: £1m) is owed at the year end.

Transactions with Deloitte Global Advisory India Private Limited include services provided by Deloitte Global Advisory India Private Limited to Deloitte LLP of £2m (2013: £nil), of which £72,000 (2013:nil) is owed at the year end.

Related party transactions with Joint Venture

Transactions with Ingeus UK Limited include services provided by Deloitte LLP to Ingeus UK Limited of £1.2m (2013: £1m). In addition, Deloitte LLP reimbursed costs of £nil (2013: £10,000) incurred by Ingeus UK Limited. Deloitte LLP received a dividend of £5m from Ingeus UK Limited on 5 November 2013. Ingeus UK Limited was disposed of in May 2014 and is no longer a related party.

Transactions with Deloitte Corporate Finance Limited include services provided by Deloitte LLP to Deloitte Corporate Finance Limited of £260,000 (2013: £256,000). At 31 May 2014 Deloitte Corporate Finance Limited owed Deloitte LLP £448,000 (2013: £224,000).

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